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Agenda item 12
Non-governmental organizations

Letter dated 29 June 2004 from the Permanent Representative of the Socialist Republic of Viet Nam to the United Nations addressed to the President of the Economic and Social Council

As you know, on 21 May 2004, at the request of Viet Nam, the Committee on Non-Governmental Organizations of the Economic and Social Council decided to suspend for three years the consultative status of the Transnational Radical Party (TRP) with the Economic and Social Council owing to the fact that TRP had wrongly and deliberately granted accreditation to Kok Ksor and the Montagnard Foundation, Inc. (MFI) to attend United Nations meetings and conferences. The above decision of the Committee on Non-Governmental Organizations is to be endorsed by the Economic and Social Council at its substantive session in July 2004. I have the honour to enclose herewith for your kind attention an aide-memoire on the position of the Government of Viet Nam concerning the Transnational Radical Party's consultative status with the Economic and Social Council, to which are attached the following six annexes:[1]

(i) Copy of the article "The forgotten army" downloaded from the MFI official web site describing the history of FULRO;

(ii) Copy of the article "A synopsis of modern history", downloaded from the MFI official web site, depicting Kok Ksor and the MFI affiliation with FULRO;

(iii) Copy of the first page of the article "Continuing the struggle for survival", downloaded from the MFI official web site, reflecting Kok Ksor and the subversive and separatist agenda of MFI;

(iv) Copies of the "map", "national emblem" "national flag" of the so-called "Independent State of Degar", whose establishment Kok Ksor and the Montagnard Foundation, Inc. are soliciting in the Central Highlands of Viet Nam;

[1] The annexes are reproduced as submitted, in the original language only.

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(v) Copies of pictures taken of the weapons, money and equipment taken from the accomplices of Kok Ksor and MFI participating in the violent riots on 10 April 2004 in the Central Highlands of Viet Nam;

(vi) Copies of pictures taken of the scenes of destruction caused by the violent riots on 10 April 2004 in the Central Highlands of Viet Nam.

The aide-memoire explains why Viet Nam has had to request such a decision. Hoping this aide-memoire will be useful for members of the Economic and Social Council when considering endorsement of the above decision, I hereby request that this aide-memoire together with its six annexes be circulated as an official document of the substantive session of 2004 of the Council under agenda item 12 "Non-governmental organizations".

(*Signed*) **Le Luong Minh**
Ambassador Extraordinary and Plenipotentiary
Permanent Representative

Aide-memoire on the position of the Government of Viet Nam concerning the Transnational Radical Party consultative status with the Economic and Social Council

On 21 May 2004, at the request of Viet Nam, the Committee on Non-Governmental Organizations of the Economic and Social Council decided to suspend for three years the consultative status of the Transnational Radical Party (TRP) with the Council owing to the fact that TRP had wrongly and deliberately granted accreditation to Kok Ksor and the Montagnard Foundation, Inc. (MFI) to attend United Nations meetings and conferences. The above decision of the Committee on Non-Governmental Organizations is to be endorsed by the Economic and Social Council at its substantive session in July 2004. This aide-memoire explains why Viet Nam has had to request such a decision.

I. Kok Ksor and the Montagnard Foundation, Inc. are resorting to terror to pursue their subversive and separatist aim

The Montagnard Foundation, Inc. (MFI) was established in 1992 in North Carolina, United States of America by Kok Ksor and some other remnants of FULRO — Front Unifié pour la Libération des Races Opprimées or United Front for the Liberation of Oppressed Races — who are now residing in the United States. FULRO was an armed organization created by foreign forces during the foreign wars of aggression against the Vietnamese people. After the war ended in 1975, and during the 1980s, FULRO continued to operate as a terrorist organization with armed activities causing heavy destruction of public and private property and civilian casualties in Viet Nam, especially in the Central Highlands.

Kok Ksor himself, who used to be a soldier in the puppet army of the former South Vietnamese regime, joined the separatist FULRO in 1969, fled to Cambodia and then proclaimed himself "Major General" of FULRO. In 1974, he was sent to the United States by the founder and leader of FULRO, "General" Y-Bham Enoul, and has since remained in the United States.

Kok Ksor and MFI of which he is President/Executive Director have been soliciting for the establishment of a so-called "Independent State of Degar" in the Central Highlands of Viet Nam. By the end of 1999, Kok Ksor formally announced the establishment of a so-called "Independent State of Degar" among Vietnamese exiles in North Carolina, United States of America and claimed himself as "President of the State", appointed former "Major General" Y Bhi Kbuor, former "Chief of Staff" of the FULRO "Prime Minister's Office", as "Prime Minister", and appointed five other former FULRO members as "Ministers" of Defence, Foreign Affairs, Justice, the Economy and Health Care and six others as "Provincial Chiefs". Kok Ksor drafted the "Guiding principles and instructions for the establishment of the Independent State of Degar" and sent them back to Viet Nam for his accomplices to implement. MFI on its official web site http://www.montagnard-foundation.org declares that "the implementation of the following FULRO goals offers the only chance for the survival of the indigenous people of Viet Nam:

1. The Degar people must be recognized as the legitimate owners of the Central Highlands.

2. The Vietnamese administration of the Central Highlands of Viet Nam must be dismantled, and the occupying military forces must be withdrawn.

3. The Degar people's sovereignty over the Central Highlands must be restored, and the independence of the Degar people must be guaranteed by the United Nations."

Furthermore, the MFI Report 2002-2003 states: "Mr. Kok Ksor, an original member of FULRO movement since 1964 ... has never wavered from his original mission".

Kok Ksor and MFI incited, prepared and commanded from afar the violent riots in the Central Highlands in February 2001 and other violent riots in Viet Nam. From his office in South Carolina, Kok Ksor and his MFI worked out the draft plan for the violent riots in the Central Highlands in April 2004. He instigated and instructed his followers, the extremist elements in the Dak Lak and Gia Lai provinces in the Central Highlands of Viet Nam, to induce, deceive and force local people to stage those violent riots. Two days before the riots took place where banners demanding the establishment of a "Degar State" were displayed, on Friday, 8 April 2004, from his office in South Carolina, Kok Ksor and MFI sent out the above-mentioned draft plan to many international media organizations including those of Vietnamese overseas informing them ahead of the riots, publicly claiming themselves as the organizers and calling for international support and attention. During the riots, under instructions from Kok Ksor and MFI, the extremist elements in Dak Lak and Gia Lai used dangerous weapons to beat on-duty officers, causing serious injuries, and destroyed local administration offices, public works and property. Ironically, TRP stated that "the 2001 and 2004 demonstrations were organized and carried out peacefully".

II. The Transnational Radical Party's granting of accreditation to Kok Ksor and MFI constitutes an abuse of its consultative status with the Economic and Social Council and a violation of Council resolution 1996/31

MFI with Kok Ksor as its Executive Director/President is a terrorist group whose character is no different from that of those notorious terrorist groups operating in Asia, Europe and America that the international community is condemning and fighting against. Since the violent riots of 2001, the Vietnamese Government had kept warning the international community of Kok Ksor and the MFI's schemes for further violent riots in pursuit of their separatist agenda. The April 2004 incidents confirmed once again the ill intention of those thugs that TRP has admitted to its ranks. Kok Ksor and MFI are preparing for further violent riots in the Central Highlands and other localities in Viet Nam, threatening the security of Viet Nam and the safety of its people. The establishment of the so-called "Independent State of Degar" in exile with Kok Ksor as its "President" and the preparation for its formation inside Viet Nam are clearly acts of subversion and separation that threaten the sovereignty and territorial integrity of Viet Nam, a Member State of the United Nations. Kok Ksor and the MFI's aims and activities are contrary to the spirit, purposes and principles of the Charter of the United Nations and violate international law. The TRP's granting of accreditation to Kok Ksor and MFI means accreditation of a terrorist group that has been engaging in subversive, separatist activities against the State of Viet Nam. Such accreditation constitutes an abuse of its consultative status with the Economic and Social Council and a violation of Council resolution 1996/31, which clearly stipulates that NGOs having consultative status with the Economic and Social Council must not engage in

"unsubstantiated or politically motivated acts against Member States of the United Nations".

III. The Economic and Social Council should respect the decision of the Committee on Non-Governmental Organizations suspending for three years the consultative status of TRP with the Council

Approximately 500 foreign NGOs, most of them from developed countries, are operating in Viet Nam, where they are enjoying the support and assistance of the Vietnamese Government and local NGOs in implementing their projects in different economic, development, social and humanitarian fields. Nearly 400 of them have established their representative offices in the country. The good-willed and cooperative policy and attitude of the Vietnamese Government towards foreign NGOs cannot be questioned. Since TRP accredited Kok Ksor and MFI to attend United Nations meetings and conferences under its protection, Viet Nam, in a spirit of dialogue and cooperation, had refrained at the last three consecutive sessions of the Committee on Non-Governmental Organizations from asking for punitive action and had agreed to give TRP the opportunity to understand the matter by asking it through the Committee to submit special reports to explain and cease its wrongful acts. Trying at the first stage to defend even FULRO by denying its terrorist nature, then, later on, when realizing that FULRO was indefensible, attempting to deny Kok Ksor and MFI's affiliation with FULRO, TRP's reports had always been considered unsatisfactory by the Committee. More seriously, while the question was still under consideration by the Committee, TRP continued granting accreditation to Kok Ksor and MFI. This only demonstrates that the TRP's abuse and violations are deliberate and that TRP itself nurtures a dark political scheme against Viet Nam. Viet Nam was left with no option other than requesting for suspension of TRP's consultative status with the Economic and Social Council for three years. At the request of Viet Nam, the Committee, at its meeting on 21 May 2004, voted to adopt a decision to that effect. This decision is to be endorsed by the Economic and Social Council at its substantive session in July 2004. In the legitimate security, sovereignty and territorial integrity interest of Viet Nam, a Member State of the United Nations, in the interest of the United Nations itself and of those of its members suffering from outside interference in their internal affairs, and to defend the prestige of the Economic and Social Council as a main body of the United Nations tasked with assisting Member States in economic and social development, as well as the prestige of the Committee on Non-Governmental Organizations, Viet Nam urges the members of the Economic and Social Council to respect and endorse the above decision of the Committee. Any attempt to block the Council's endorsement of that decision is unjust and illegitimate.

It should be stressed, furthermore, that Viet Nam is not the only country victimized by TRP's dark schemes and that this is not the first time TRP's abuse of its consultative status with the Economic and Social Council by way of supporting terrorist and separatist activities has been questioned by Member States, and this is not the first time its wrongful acts became the subject of scrutiny by the Committee on Non-Governmental Organizations and by the Economic and Social Council. Its claim of being a "Gandhian non-violent organization" which "does not condone violence from any quarter, whether governmental or non-governmental" is but a farce!

New York, 29 June 2004

Annex I

Copy of the article "The forgotten army" downloaded from the MFI's official web site depicting the history of FULRO

Save the Montagnard People, Inc. (STMP)

The Forgotten Army

by Tommy Daniels, President - STMP, 1997

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Background.....The Forgotten Army Musters .....The Exodus .....The 1986 Group

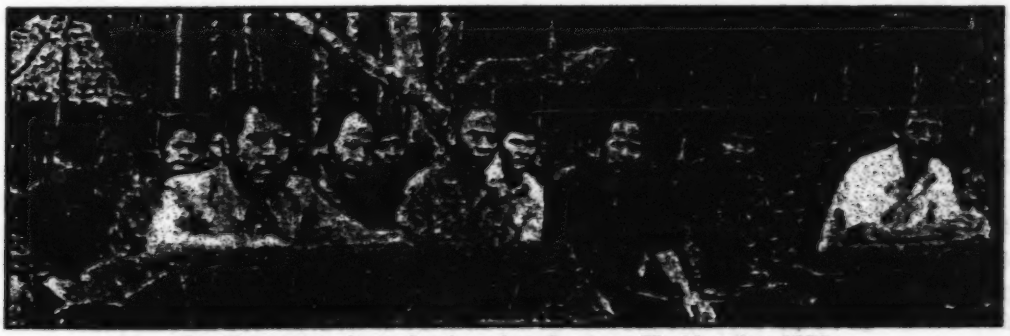
The 1992 Group ..... US Montagnards ..... Relentless Punishment ..... Cultural Leveling

In the final days of the Vietnam War in 1975 and immediately following, 1,000,000 Vietnamese refugees were evacuated from Vietnam and resettled in the United States. And in keeping with a 1960's promise, 150,000 Hmong tribesmen of the US "Secret Army" in Laos were evacuated to our country in 1975. Yet only 3,000 Montagnards, our most distinguished and loyal ally, have reached the U.S.

Background

The Central Highlands of Vietnam is the ancestral homeland of the Montagnard tribes, a peace loving people with an ancient tradition of living in harmony with nature and the cosmic forces. But their great forests and rich lands became a battlefield for communist ambitions and opposing powers, compelling their involvement in two successive wars that raged for nearly three decades.

As Christians, religious freedom was an absolute must. Oppressed as an ethnic minority in their homeland, they sought political autonomy. As communism tolerates neither, they allied first with the French then the Americans. Following the communist victory in 1975, a third war began. This is the story of The Forgotten Army and the aftermath of the Vietnam War for the Montagnard people.



The Forgotten Army leaders, jungle camp Thai border, 1982.

In 1946 France granted political autonomy to the Montagnard tribes over their five Montagnard provinces, known as the Central Highlands. However, the Montagnard tribes were not prepared to capitalize on the opportunity. The French colonial policy of the past was to confine them to low-level positions thus inhibiting their development. Despite 1946 sovereignty grant, this policy went unchanged.

Earlier attempts by the Khmer Rouge to enlist Yards against the Vietnamese failed. However, some Khmer units succeeded in forcing many into servitude by threatening to kill their captured families. These men served the Khmer Rouge as pointmen and porters. Their women were used as many are in war while the elders "cleared" minefields and booby traps.

The 1986 Group

Only 212 are known to have reached Thailand and were discovered in a Thai refugee camp in 1986. Friends in the area summoned an US Vietnam veteran with a long Montagnard history to act as liaison between the Montagnards and US/Thai Government officials. He prefers to remain unnamed and contacted CPT D.L. "Pappy" Hicks in Central America to expedite matters in the US. At the time Pappy's involvement could not be disclosed, but he managed to secure President Regan's attention through Pat Buchanan. Several others played key individual advocacy roles, among them Lionel Rosenblatt, Mike Benge, and Don Scott.

The Montagnards were quickly airlifted to the Philippines for six months of recovery and preparation, and arrived in North Carolina in November 1986, sponsored by the Lutheran Family Services and Catholic Social Services. In 1987 they established the Montagnard Dega Association to gain support for The Forgotten Army, work for human rights in the Highlands of Vietnam, and to assist their people in US assimilation.

The 1992 Group

Meanwhile, the remnants of their guerrilla army in Mondolkiri, Cambodia were constantly on the move. As such they could not grow sufficient crops and were very malnourished. The Vietnamese $400 bounty also took its toll of Yards operating alone and in small units.

Finally in 1992 with ammunition exhausted, the Montagnard field commander consolidated his four-hundred remaining fighters in their headquarters and five river hamlets. Later in the summer they were discovered by Paraguayans of the UN Transitional Authority Cambodia (UNTAC).

The same Americans who were the prime movers in the extraction of the 1986 Group were again contacted. On this occasion, Pappy Hicks did not have to remain in the shadows, but the others did and must so today. Pappy exercised his influence with VP Dan Quayle and remained in direct contact with the National Security Council, coordinating and expediting matters in Washington.

The Montagnard field commander and his people were granted political asylum in the US. They were transported by the UN to the outskirts of Phnom Penh where their American escort bought food and clothing for them. Considering the Vietnamese reward for the Gold Heads, there was much concern for their safety. Following the 1986 precedent, Washington officials were planning for the group to spend six months in the Philippines. Pappy and the American with the Yards didn't believe this was necessary; and too, the gold reward was a threat in the Philippines as well. The plan changed and the airlift began, directly to the North Carolina.

1992 photo, survivors of The Forgotten Army watch as helicopter lands in eastern Cambodia to begin journey to the US. Y-Bler Buonya, age 17, front/center.

US Montagnards

Since 1992, the US Montagnard community has grown from the aforementioned 412 to 3,000 through the Orderly Departure Program (ODP). Most were resettled in North Carolina while some went to Texas and Washington state.

The Montagnards are an intelligent and obviously very resilient people. US social workers, bosses, and those who know them, marvel at their unequaled work ethic, honesty, and determination to be good citizens. Some work at two and others hold three different jobs to make ends meet. Many are buying homes, own vehicles, and have extraordinary accomplishments to their credit. Atypical of other US immigrant cultures, they have no crime syndicates or gang activities. Their organizational affiliations relate strictly to cultural heritage, positive self-help causes, and human rights for their people in the Central Highlands.

Relentless Punishment

Vietnamese province-level communist officials are subverting this process to make money and punish those who want to join their loved ones in the US. ODP applicants must pay huge bribes to these officials, otherwise they will not receive timely word of emigration interviews. And when they are scheduled for interviews, many are beaten en route and robbed by Vietnamese thugs for the bribe money they carry.

In 1996, Vietnamese communist paranoia of the Montagnard guerrillas and their determination to further demoralize them surfaced in a new tactic. When a Montagnard family reaches Saigon to depart the country via ODP, communist officials detain the man's wife and children. The man is told that his real spouse and children can not leave Vietnam with him. Instead he must take with him a Vietnamese woman with children of similar ages. If the Montagnard man does not cooperate, his spouse and children will suffer.

Annex II

Copy of the article "A synopsis of Modern History" downloaded from the MFI's official web site depicting Kok Ksor and MFI's affiliation with FULRO

MONTAGNARD FOUNDATION, INC.
A true voice of Degar people

Welcome to DEGAR Website

PRESS RELEASE | BREAKING NEWS | MFI REPORT | SPECIAL REPORT | OUR OPINION | COMMENTARY
HOMEPAGE | BAJARAKA | ABOUT DEGAR | ABOUT US | ASPIRATION | CONTACT US
FAQ

MODERN HISTORY

Revised 08/01/2003

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A SYNOPSIS OF MODERN HISTORY

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ABOUT DEGAR

Pre-1800 ▶ For over two thousand years – prior to the year 1800, we the Degar people lived freely and peacefully in our homelands of highland villages. We were free to farm, hunt, travel and to settle in our villages, free to believe and to worship as we wished. We were free to live and to die in peace until outsiders came to our homeland. Even the Chams who had invaded our northern coastal areas of Danang in 875 dared not venture into our Central Highlands. Our southern coastal region too remain untouched until after the Annam destroyed the Cham kingdom in 1471 and forced them to flee south to Bien Hoa and Cambodia in 1697

1615 ▶ The European presence started in the Central Highlands when Father Buzumi, an Italian, and Father Carvalho, a Portuguese, both from the Jesuit mission in Macao, landed at Danang (Tourane). Later, Catholic missionaries established a mission at Kontum, in the heart of the Central Highlands. They were the first outsiders to set foot on our lands.The European presence started in the Central Highlands when Father Buzumi, an Italian, and Father Carvalho, a Portuguese, both from the Jesuit mission in Macao, landed at Danang (Tourane). Later, Catholic missionaries established a mission at Kontum, in the heart of the Central Highlands. They were the first outsiders to set foot on our lands.

1876 ▶ The French began to explore our homelands beginning in the territory of the Sedang tribe of Kontum Province in the north, the Rhade tribe of Daklak Province in the west, and in the south from Saigon to the Chrau tribe regions.

1883 ▶ The French completed their conquest of Vietnam and

Reliable reports from the Central Highlands indicate that only a few hundred thousand of our people remain. These reports also indicate that food is scarce, and there is a severe lack of medical care. With grim determination, the few remnants of our ancient race cling to life defying the murderous intent of the occupying forces on our lands, defying those who are committed to the cultural genocide, in which our people and our culture are diluted by alien influences. We are trapped in the cultural killing fields of the "Socialist Republic of Vietnam".

According to the figures of Dr. Gerald C. Hickey, anthropologist, over 200,000 of the estimated one million Degar populations have been killed, and 85% of their villages have been either destroyed or abandoned. It must, however, be a higher figure than that, because during French colonialism the Degar people were numbered at over 3 million persons, and now our population is around 500,000. Our world has been shattered, and the very existence of our race and culture is threatened.

In Cambodia, the Khmer Rouge have enjoyed similar successes, having executed our leader Y-Bham Enuol with his wife and children, and over 100 of his followers and their wives and children. We are facing literal extinction. We desperately need humanitarian aid and political support to promote our organization in the international community to be able to save our homeland, our culture, and our people. A few of the survivors of these killing fields of the Socialist Republic of Vietnam fled into the jungle after America left Vietnam to continue the fight for the freedom and the independence of the Degar people.

1986 ▶ Two hundred FULRO fighters made their way to a Thai refugee camp and eventually were resettled in North Carolina, USA.

1992 ▶ Four hundred FULRO fighters and their families contacted the U.N. peacekeeping forces in the Mondulkiri province of Cambodia. With no help from the outside world, they were forced to end their 17-year military struggle. They requested political asylum, handed over their weapons, and accepted resettlement in North Carolina.

From the bottom of our hearts, we would like to express our deep appreciation and thanks to the people and government of the United States for providing a sanctuary for these remnants of our people, who found their way to the shores of our former ally.

Annex III

Copy of the first page of the article "Continuing the struggle for survival" downloaded from the MFI's official web site reflecting Kok Ksor and MFI's subversive and separatist agenda

MONTAGNARD FOUNDATION, INC.

A true voice of Degar people

W e l c e t o

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SURVIVAL

Revised 27 Jan 2003

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ABOUT DEGAR

CONTINUING THE STRUGGLE FOR SURVIVAL

At the present time, thousands of Degar are still in prison. Even a release from this illegal incarceration ensures the Socialist Republic of Vietnam's intent to murder these prisoners. Those who are released die within a year, and always under mysterious circumstances. Even in death our people find no peace, and our graves are frequently desecrated and looted by the repressive and murderous regime, under which our people continue to be enslaved.

Representatives of the Socialist Republic of Vietnam once made promises of independence to those Degar tribesmen foolish enough to fight for their cause. The failure to implement these promises should be a warning to those nations signing treaties and other agreements with the Socialist Republic of Vietnam. In view of the Socialist Republic of Vietnam's genocidal policy it appears the implementation of the hollowing FULRO goals offers the only chance for the survival of the indigenous people of Vietnam:

1. The Degar people must be recognized as the legitimate owners of the Central Highlands.

2. The Vietnamese administration of the Central Highlands of Vietnam must be dismantled, and the occupying military forces must be withdrawn.

3. The Degar people's sovereignty over the Central Highlands must be restored, and the independence of the Degar people must be guaranteed by the United Nations.

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REPRESSION
OF
MONTAGNARDS

These goals were established by the free representatives of the Degar people, and cannot be rescinded by any assembly, which is under the control of an occupying power. In the long run, peace and harmony cannot be assured to any nation, which threatens the culture and survival of another. However, it is the sincere desire of the Degar people to live in peace and harmony with their Vietnamese neighbors. The long history of the Degar people attests to the sincerity of that desire.

While our military struggle has ended, we the Degar people who have escaped the battlefield have rededicated our selves to save, by full measure of self-government; therefore, we deserve the support and assistance of the United Nations and the peoples of the world to liberate our homeland from this Vietnamese colonization. At the present time, unable to "fight" from within, we must turn to the outside world for help. So please help us before we are completely annihilated by the Socialist Republic of Vietnam.

The Montagnard Foundation, based in South Carolina, of the United States of America, was founded to protect those Degar people, who still remain in the Central Highlands of Vietnam, having survived over half a century of warfare and oppression. It is an organization dedicated to the peace, with which our people have always welcomed visitors to our country. It is an organization dedicated to the preservation of the remaining fragment of the Degar culture, in harmony with the objectives of the United Nations.

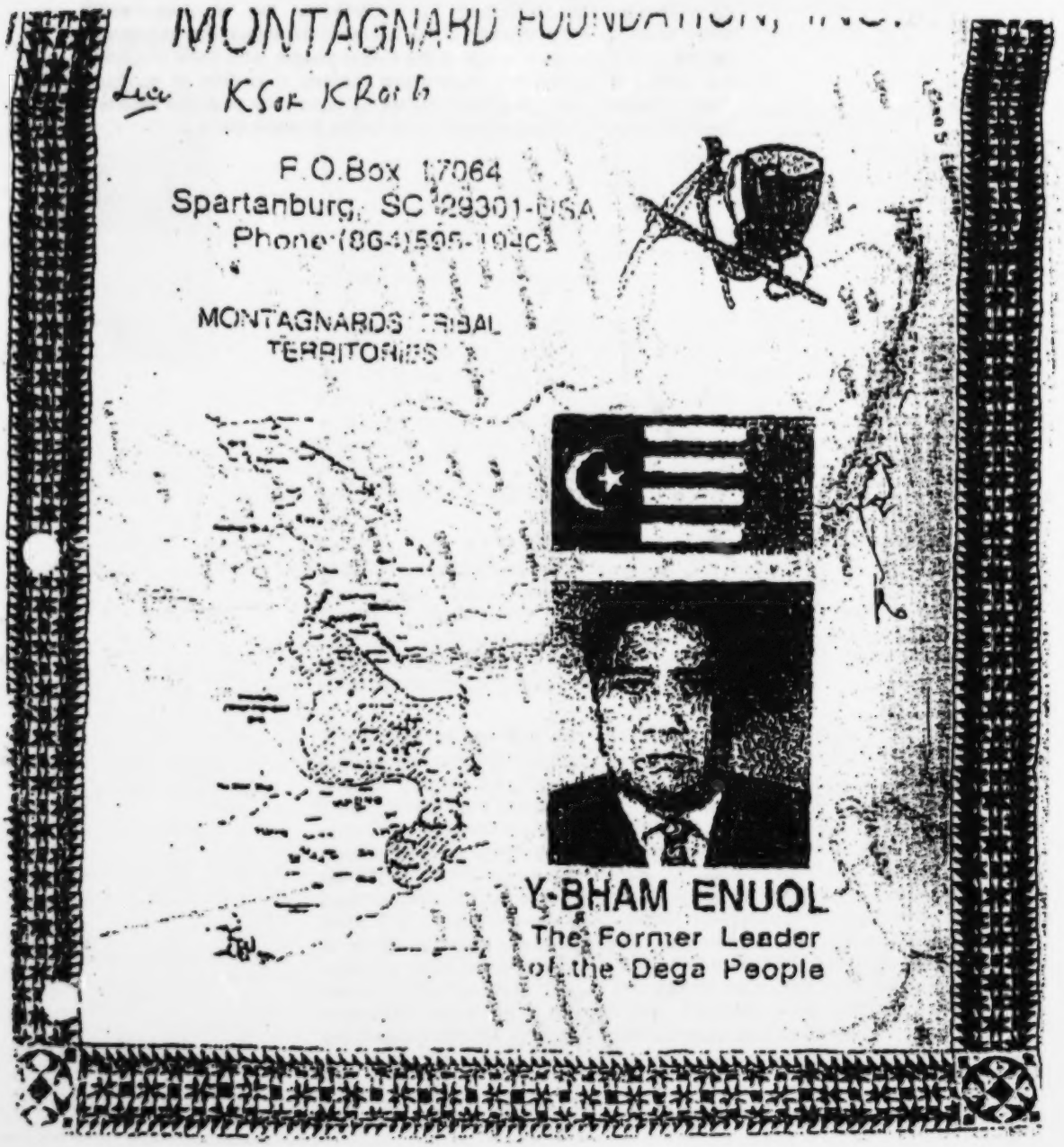
Mr. Kok Ksor, a member of the FULRO liberation movement since 1964, is currently Executive Director of this foundation. Mr. Ksor was sent to the United States by the founder, and leader of FULRO, General Y-Bham Enuol, with a mission of gaining world assistance for the Degar people. He was directed and empowered by the General to explore every peaceful avenue for the reinstatement of the legitimate rights of the Degar people under international law.

The United Nations declared 1993 "The year of indigenous people". In accordance with his mandate, Mr. Ksor brought the plight of the Degar people before the 1993 Human Rights Workshop in Geneva, Switzerland. For a brief moment, he asked the nations of the world to look at the Central Highlands of Vietnam. He asked his brothers and sisters on this small planet to look with compassion toward that remote corner of the world, where an ancient people is struggling against extinction under the heavy burden of an illegitimate occupation force. For a brief moment, he asked the delegates of this organization, in whose dedication to justice all of the nations of this earth place their hope, to listen to the words of that renowned anthropologist, Gerald Hickey, when he says: "One hopes against hope, but the inescapable conclusion is that the highland people, their way of life, and their world are passing into the strange twilight between zero and infinity".

It is time again to look at the tragedy being played out in those ancient homelands of the Degar, the Central Highlands of Vietnam. Since the Socialist Republic of Vietnam has failed to do so, we call upon these United Nations to guarantee the survival, self-determination, and protection of our ancient indigenous and aboriginal people. It is time again to look at the Degar people, who have survived the battles of decades of destructive warfare. It is time to support those of us who have dedicated ourselves to save by peaceful means, the families and cultures that we were forced to leave behind.

Annex IV

Copies of the "map", "national emblem", "national flag", of the so-called "Independent State of Degar" whose establishment Kok Ksor and MFI are soliciting in the Central Highlands of Viet Nam



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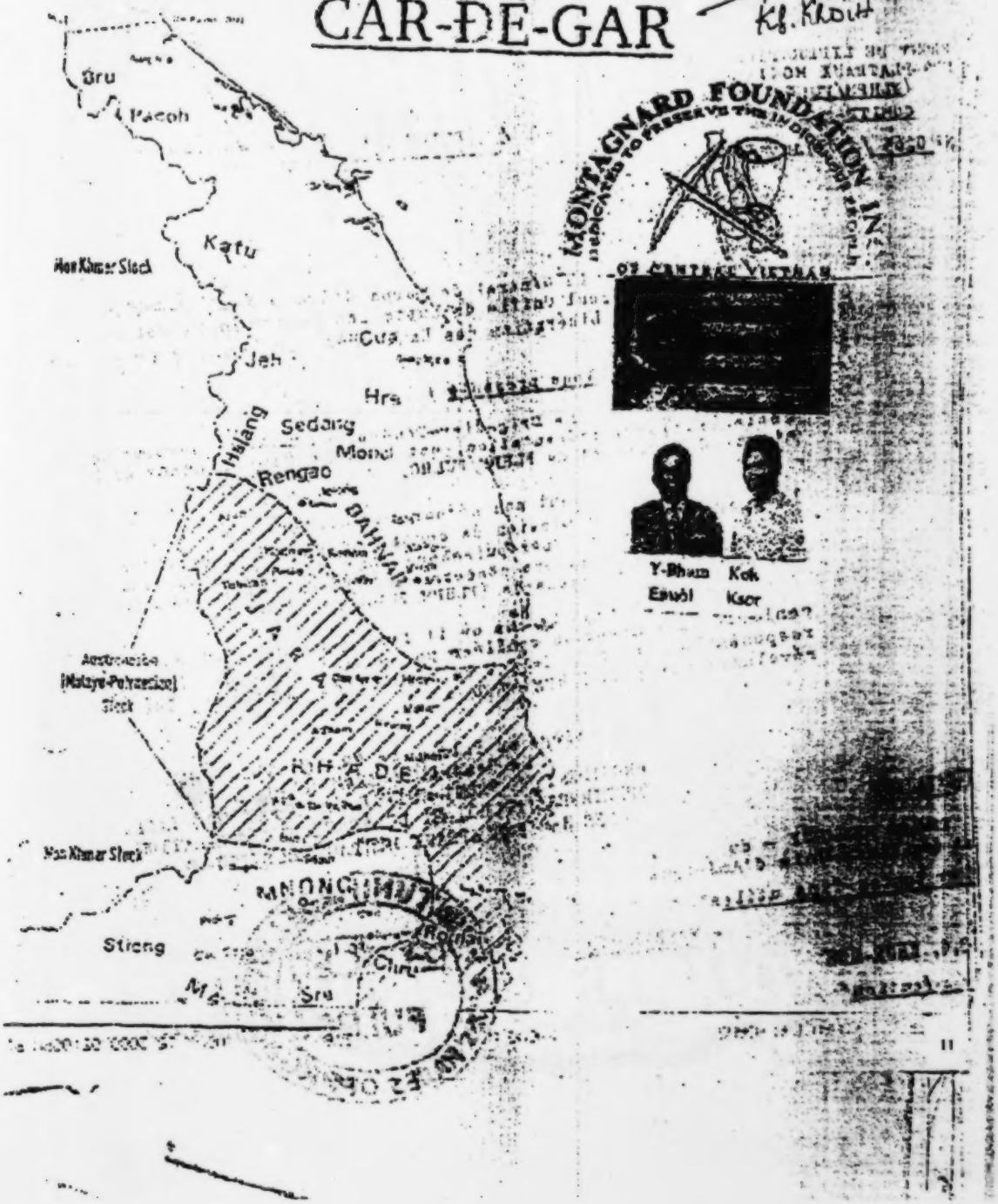

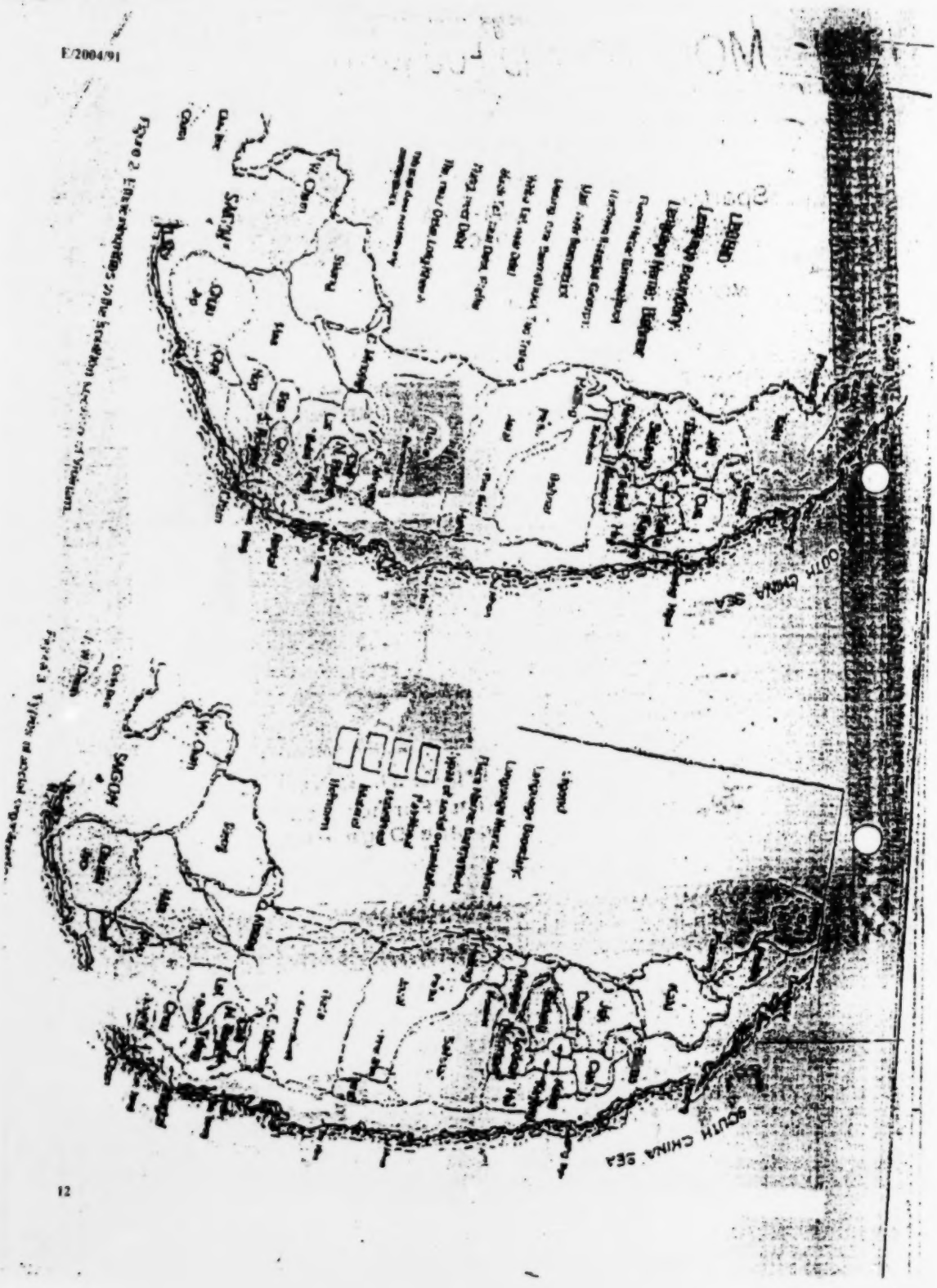
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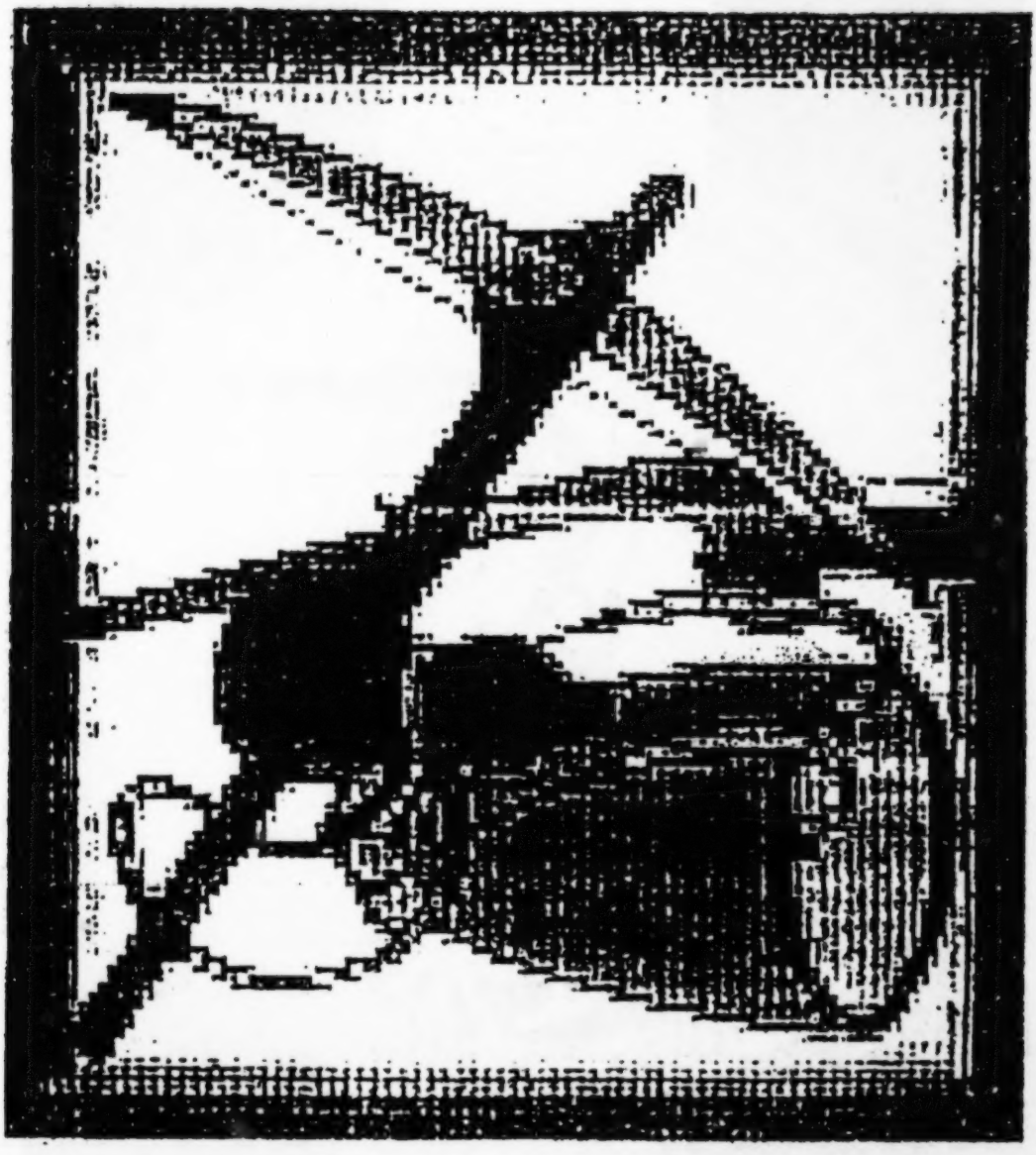
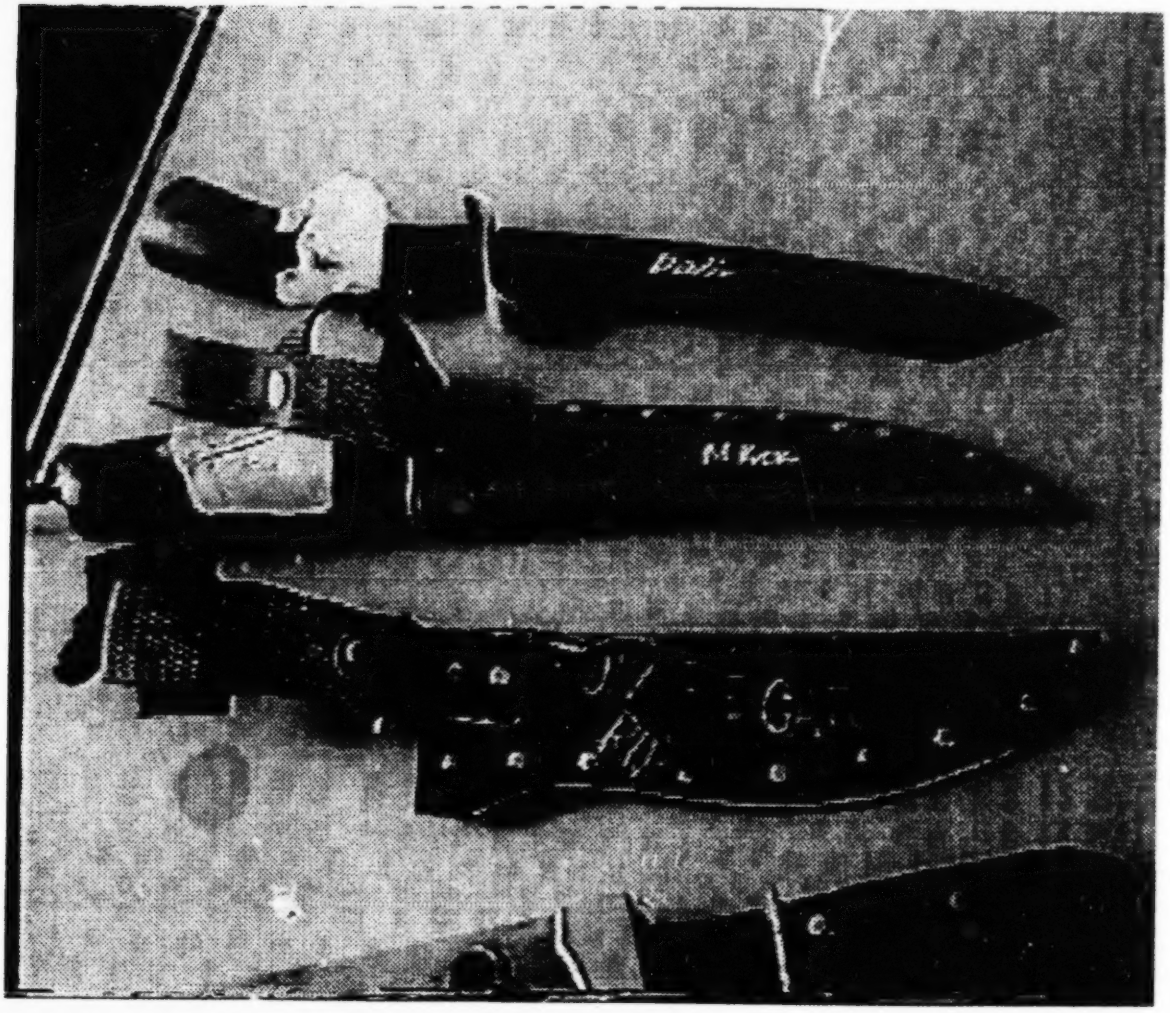


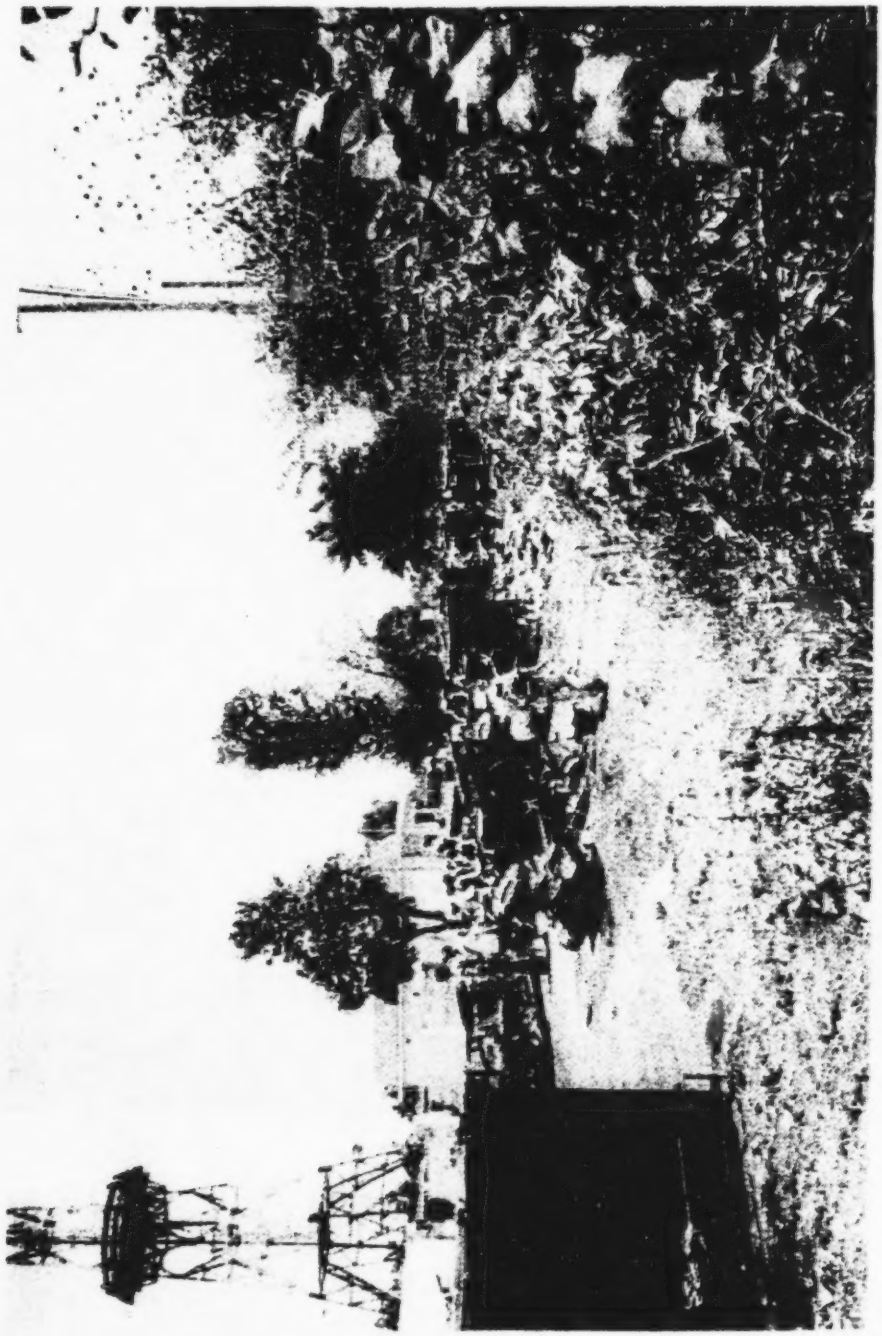
Annex V

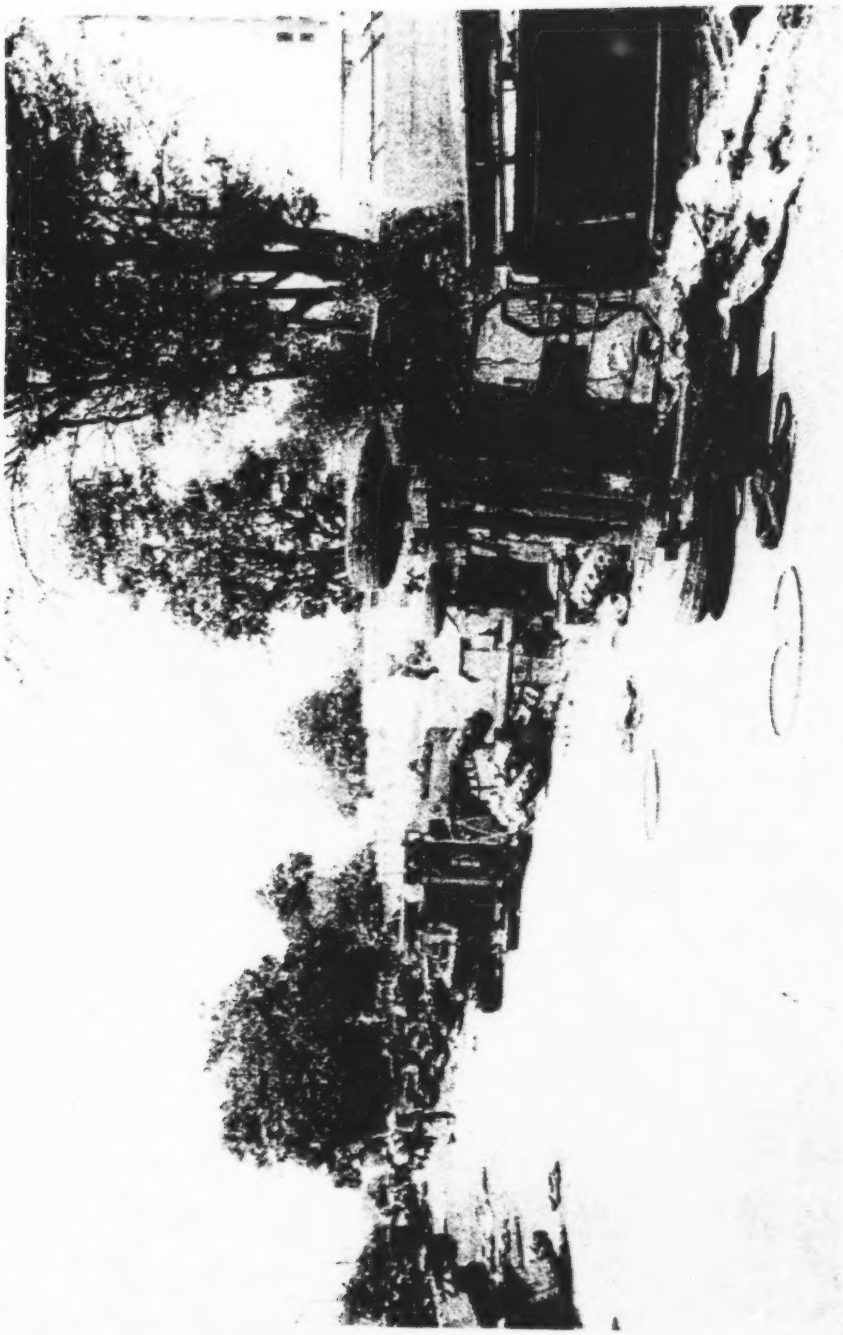
Copies of pictures taken of the weapons, money and equipment taken from the accomplices of Kok Ksor and MFI participating in the violent riots on 10 April 2004 in the Central Highlands of Viet Nam



Annex VI

Pictures taken of scenes of destruction caused by the violent riots in the Central Highlands of Viet Nam on 10 April 2004





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Coordination, programme and other questions:
Ad hoc advisory groups on African countries emerging from conflict

Letter dated 2 July 2004 from the Permanent Representative of South Africa to the United Nations addressed to the President of the Economic and Social Council

I am pleased to transmit to you herewith a supplementary report by the Economic and Social Council Ad Hoc Advisory Group on Guinea-Bissau on the work it has carried out since its last report (E/2004/10), submitted to the Council on 6 February 2004.

Important developments have taken place in the activities of the Group, including a joint mission to Guinea-Bissau with the Security Council from 25 to 28 June 2004. It is my view that the Council should be informed of these developments and I would be grateful if the attached report could be distributed as an official document of the Council, under agenda item 7 (f) "Ad hoc advisory groups on African countries emerging from conflict".

(*Signed*) Dumisani S. **Kumalo**
Ambassador and Permanent Representative
of the Republic of South Africa

04-41867 (E) 130704

Annex

Supplementary report of the Ad Hoc Advisory Group on Guinea-Bissau

Summary

The present report focuses on developments since the last report (E/2004/10), submitted to the Council on 6 February 2004. It is based mainly on a joint mission of the Economic and Social Council Ad Hoc Advisory Group and the Security Council from 25 to 28 June 2004 and highlights the promising developments in the economic, social and political situation of the country following legislative elections in March 2004. Among other encouraging signs are major improvements in the management of public finances and a strong commitment to the partnership approach endorsed by the Economic and Social Council in 2003.

The report also addresses the future challenges and constraints that could have ramifications on the country's transition from crisis to sustainable development. The main challenges are the lack of capacity of the Government to implement policies effectively, as well as the weak engagement of the international community in supporting the development of the country. The Group is of the view that there should be no further delay in re-engaging with Guinea-Bissau to assist the country in meeting its short-, medium- and long-term needs.

I. Introduction

1. The present report, which was requested by the Economic and Social Council in resolution 2004/1, focuses on developments since the last report (E/2004/10), submitted to the Council on 6 February 2004. It is based mainly on a joint mission of the Economic and Social Council Ad Hoc Advisory Group and the Security Council and highlights, in particular, the promising developments in the economic, social and political situation of the country following legislative elections in March 2004. The report also addresses some of the challenges and constraints that may impact on the country's transition from crisis to sustainable development.

2. The joint mission took place at a time of positive and far-reaching changes in Guinea-Bissau. It may be recalled that the Group had informed the Council of the political crisis in the country that led to the resignation of former President Kumba Yala on 17 September 2003 and that it had also highlighted some of the arrangements put in place for the return to democratic rule, in accordance with the Transitional Charter agreed to by all the key stakeholders in the country, including civil society, political parties and the military.

3. It is with great satisfaction that the Group reports that Guinea-Bissau has made a major step forward with the successful holding of legislative elections on 28 March 2004, one of the key benchmarks of the Charter. These elections were deemed "free, fair and transparent" by a team of international observers and the results were accepted by all political parties. On 7 May 2004, the power of the National Transition Council was transferred to the newly elected National Popular Assembly. It is noteworthy that, for the first time in its history, the National Popular Assembly included two female members in its five-member Parliamentary Bureau. Five of the 24-member Government are women.

4. The Ad Hoc Advisory Group is greatly encouraged by the focus and energy with which the new Government is pursuing the implementation of its priorities, which are the payment of salary arrears and the restoration of public services, especially basic social services, which have been paralysed in recent years. However, the successful implementation of these priorities is constrained by a number of key challenges that confront the new Government, the main ones being the continued weakness of the economy[1] and the lack of engagement of the donor community.

II. Highlights of the work of the Ad Hoc Advisory Group since its report to the Council at the organizational session in February 2004

5. The Ad Hoc Advisory Group on Guinea-Bissau visited Guinea-Bissau from 25 to 28 June 2004. The Group was led by its Chair, Ambassador Dumisani Kumalo, Permanent Representative of South Africa, and included Ambassador Alfredo Cabral, Permanent Representative of Guinea-Bissau, Ambassador Jorge Carvalho, Ambassador of Portugal to Guinea-Bissau, representing Ambassador Gonçalo Aires de Santa Clara Gomes, and Mr. Benedicto Fonseca Filho, First Secretary of the Permanent Mission of Brazil, representing Ambassador Ronaldo Mota Sardenberg. The Group was also joined by Ambassador Crispin Grey-Johnson, Permanent Representative of the Gambia and Chair of the Group of Friends of Guinea-Bissau.

Ambassador Ismael Gaspar Martins, Permanent Representative of Angola and Chair of the Ad Hoc Working Group of the Security Council on Conflict Prevention and Resolution in Africa, who is also a member of the Economic and Social Council Ad Hoc Advisory Group on Guinea-Bissau, participated in the Security Council part of the joint mission. The Netherlands were not able to join the mission as it took place on the eve of the Netherlands assuming the Presidency of the European Union.

6. The Advisory Group held extensive discussions on 25 and 26 June 2004 with officials of the Government of Guinea-Bissau, including the Transitional President, Mr. Henrique Rosa Pereira; the Prime Minister, Mr. Carlos Gomes Jr.; the President of the National Assembly, Mr. Francisco Benante; the Minister for Foreign Affairs, Mr. Soares Sambu; and the Minister of Economy and Finance, Mr. Joao Aladje Fadia. Ambassador Dumisani Kumalo also held informal discussions with a representative of the International Monetary Fund with responsibility for Guinea-Bissau and the representative of the European Commission resident in the country. The Group also met with the United Nations country team, composed of the United Nations Resident Coordinator, the Officer-in-Charge of the United Nations Peace-building Office in Guinea-Bissau and representatives of the United Nations Children's Fund, the United Nations Population Fund, the World Food Programme, the World Health Organization and the Food and Agriculture Organization of the United Nations.

7. On 27 and 28 June 2004, the Security Council mission to West Africa joined the Ad Hoc Advisory Group in Guinea-Bissau. The objective of the joint mission was to assess the priority needs of the Government and identify what further steps could be taken to strengthen the partnership between the Government and the international community and to encourage increased donor support. Discussions were held with the high-level government officials referred to in paragraph 6 above, as well as with the Minister of Defence, Mr. Daniel Gomes; the Minister of Justice, Mr. Raimundo Pereira; the Minister of Social Solidarity, Ms. Eugenia Saldanha and the Secretary of State for Former Combatants, Ms. Isabel Burcardine; the Chief of the Armed Forces, General Verissimo Seabra; and representatives of political parties and civil society organizations.

8. The joint mission welcomed the Government's decision to strengthen the partnership and dialogue with both private and institutional international organizations, in the spirit of the partnership approach endorsed by the Council in 2003, with a view to increasing revenues and recovering international economic and financial confidence. The mission also urged the Government to persevere in its determination to consolidate the democratic process, promoting good governance, the inclusion and participation of all strata of society and respect for human rights and the rule of law. The mission also called on the new Government to create, with the assistance of the international community, the necessary conditions for the organization of free, fair and transparent presidential elections in March 2005. The mission assured the Government that the international community would continue to support the efforts of Guinea-Bissau by recommending that international partners, the Bretton Woods institutions and donors in general provide the urgently needed resources to address the social and economic priorities of the country.

9. Overall, the Group is impressed by the changes in Guinea-Bissau since its last visit. There is a sense of hope and optimism that the country is now moving in the right direction. President Rosa Pereira has continued the rehabilitation of the

country's international image and reputation, as well as strengthening the partnership with the international community.[2] The Ad Hoc Advisory Group is of the view that President Rosa Pereira and the new Government of Guinea-Bissau are fully committed to the holding of free and fair presidential elections in 2005 and urges the Council to call upon donors to support the country in the holding of these elections, in order to complete the second phase of the Transition Charter.

10. Prime Minister Carlos Gomes Jr. has reaffirmed the continued commitment of Guinea-Bissau to partnership with the international community and the clear commitment of the country to transparent, accountable governance and participation. Civil society organizations and the military have also expressed their commitment to dialogue and change and the President of the National Popular Assembly has assured the Group that the main priority for the new session, which begins on 29 June 2004 is to complete the revision of the Constitution which had been held in abeyance by the former President. The Group is convinced that the Government has met the key conditions of the partnership and is of the view that the substantial improvements made in economic management, particularly in ensuring transparency and rigour in expenditures, should be rewarded with additional resources.

International donor support to Guinea-Bissau

11. International donor support continues to remain critical in helping the Government of Guinea-Bissau to meet its priorities, that is, the payment of salaries, including arrears, as well as to meet the requirements for the basic functioning of government. In the long-term, resources are required for investment in economic and social infrastructure, to put in place the conditions required by the country for sustainable development.

12. To date, the Emergency Economic Management Fund (EEMF) managed by the United Nations Development Programme (UNDP) has attracted contributions amounting to US$ 4.9 million from the Netherlands, Sweden, France, Italy, Portugal and Brazil, of which $2.5 million has been disbursed to pay the salaries of some 11,000 civil servants from January to April 2004. The Fund has proved to be an efficient and transparent mechanism for supporting the Government of Guinea-Bissau in covering part of the gap in its emergency budget for 2004. Guinea-Bissau also received about US$ 5.5 million from other member countries of the West African Economic and Monetary Union, and China donated US$ 1 million. The Ad Hoc Advisory Group is concerned that a substantial gap of about $14 million remains that needs to be financed during the remainder of 2004. With additional donor support, EEMF can continue to be a viable, useful and transparent mechanism for providing emergency assistance to Guinea-Bissau.

13. UNDP is also giving critical support to the completion of the poverty reduction strategy paper (PRSP), one of the key policy instruments to be submitted to partners as the basis for a donor round table dialogue that is expected to be held in November 2004. The other two key policy documents, which are currently being finalized, are the Policy Charter on Infrastructural Development and the National Good Governance Programme. UNDP is working closely with the Government in regard to the round table, which will be organized once a decision is taken by the IMF Executive Board in a meeting, tentatively scheduled for 17 September 2004, on the

resumption of a programme for Guinea-Bissau. It is hoped that the round table will bring together both old and new partners of Guinea-Bissau.

14. The Government of Guinea-Bissau has recently concluded discussions with the European Commission, its principal development partner, on article 96 of the Cotonou Agreement.[3] The way is now clear for the European Union to provide budget support and development assistance to Guinea-Bissau. The Group understands that budgetary support to the tune of euro 10.5 million from the European Commission may be resumed before the end of the year, pending the adoption and resumption of an International Monetary Fund (IMF) programme in September 2004. The Group welcomes the intention of the European Commission to provide this support and urges all donors to consider favourably doing the same. The Group also welcomes the new European Union-Guinea-Bissau agreement on fisheries, which lifted the suspension of the previous agreement. The Group urges the Council to call on the European Union to accelerate its assistance in fisheries development and coastal surveillance.

15. The Bretton Woods institutions have played a key role in supporting the Government's short-term needs, principally for restoring basic government services. It should be recalled that the Government's emergency economic management programme, as well as its emergency budget for 2004, were prepared in December 2003 with the assistance of IMF, the World Bank, the African Development Bank and UNDP. These institutions continue to support the Government in the implementation of its emergency programme and in the preparation of the budget for 2005.

16. For its part, the World Bank is formulating a medium-term strategy in the amount of $22 million for the 18-month period beginning September 2004. The strategy seeks to support the restoration of macroeconomic stability, provide support to social services, particularly health and education services, and to the reinforcement of governance and the rehabilitation of economic infrastructure, namely in water, energy, transport and telecommunications infrastructure. Technical assistance will also be provided for an evaluation of poverty in 2005, technical advice in the management of public expenditures for the period 2005-2006 and a review of development policy in 2006.[4]

17. IMF has played a critical and constructive role in supporting the Government of Guinea-Bissau, despite the suspension of the Poverty Reduction and Growth Facility in 2001 and the staff monitored programme in 2002. The Fund continues to provide technical assistance in many areas, including in revenue administration, customs, expenditure management and real and fiscal sector statistics. A recent IMF mission to Guinea-Bissau was greatly encouraged by the progress made so far in the implementation of a number of measures by the Government to increase revenue and improve expenditure control. It is expected that if progress continues in these and other areas, such as rebuilding public administration, the IMF Executive Board, which meets on 17 September 2004 on Guinea-Bissau, could consider proposing the resumption of a programme for the country that, if followed, could lead to a new Poverty Reduction Growth Facility in two years. The effectiveness of such a programme would be greatly enhanced if there is broad donor support and continued close cooperation and monitoring of developments in Guinea-Bissau.

18. The Group welcomes the flexible approach being taken by the World Bank and IMF and urges other donors to consider adopting the same approach, given the profound changes that have taken place since the last quarter of 2003.

Conclusions, preliminary assessment and recommendations

19. The joint mission concluded that the conditions laid down in the Transitional Charter have so far been complied with through the successful staging of legislative elections and the appointment of an elected National Assembly and Government. Still pending is the election for the President of the Republic scheduled for 2005.

20. One of the major challenges facing the Government of Guinea-Bissau over the past years has been poor management in its public administration. The joint mission noted that there has been clear progress on this front, including that measures prescribed in the Government's emergency economic management programme are being implemented. An important role is being played by the Treasury Committee in the scrutiny of public finances, including revenue collection and expenditures, with technical assistance from the Central Bank of West African States. This scrutiny has resulted in greater transparency and discipline in the management of public funds. As a result, there are already visible gains in revenue collection, resulting in the Government's ability to honour the wage bill for May 2004 from State resources. Although in office for only 45 days, the new Government has succeeded in paying three months of salaries, after the State had previously accumulated months of salary arrears.

21. It should be noted that the emergency budget, a key element of the emergency programme, does not include the payment of salary arrears, internal debt from previous years or capital investment. The management of expenditures is also complicated by a major salary increase given to the army by the former President. The harmonization of salary scales for all public servants and the military will result in a new, more equitable salary scale that is sustainable.

22. While the joint mission noted that there has been a major improvement in the management of public finances, it is concerned that further progress is hampered by weakness in technical capacity within the Ministry of Economy and Finance. The joint mission calls on the Bretton Woods institutions which, in consultation with UNDP, have prepared an overview of the technical assistance needs of the Ministry, to continue providing assistance, with a view to formulating a comprehensive technical assistance plan.

23. The Group was particularly impressed with the attempt of the new Government to adopt transparent and meritocratic criteria in the appointment of senior public officials. A revamping of key government posts has taken place, including the appointment of Director-Generals with a proven technical track record to the four key departments of the Ministry of Economy and Finance, namely those of the budget, the treasury, taxes and customs. This has clearly improved the quality of civil servants serving the new Government.

24. While the Group was impressed with the new rigour in public administration and finances, these improvements must be backed up by

resources. In this connection, a number of interlocutors pointed to the difficulties ahead. Although revenues from cashew nuts and the European Union's compensation for fishing rights are expected to generate sufficient resources to cover current expenditures until August 2004, considerable financial inflows will be needed for the last four months of the year and into the first half of 2005.

25. **On the political front, the Group is aware that the absence of a parliamentary majority may constitute a stumbling block for the new Executive to implement its programme. In order to tackle to country's structural problems, the Government will require parliamentary support on key issues such as the approval of its programme, the budget and other key legislation. The Group is hopeful that the alliance made between the two main parties after the elections will continue and that national interests will prevail over partisan ones.**

26. **With regard to security, an urgent and comprehensive restructuring package is required for the armed forces. This includes not only review of salaries, career structures, working conditions and infrastructure but also a reformulation of their respective roles in a fragile democratic State. The Group calls for urgent and immediate assistance for this effort as it is an extremely sensitive issue in the context of the recent history of the country. The restructuring of the security apparatus is also crucial to preventing a relapse in the areas of conflict prevention and the consolidation of peace.**

27. **One of the risks cited by the Bretton Woods institutions to the successful implementation of their programmes is the weak engagement of the international community. The Group is of the view that there should be no further delay in re-engagement with Guinea-Bissau to assist the country in meeting its short-, medium and long-term needs. An integrated and coordinated approach which would lead to a comprehensive assistance programme by the Bretton Woods institutions, the United Nations system, the traditional and non-traditional donors is a sine qua non for putting Guinea-Bissau on the path to sustainable development. The Group would also like to call the attention of the Council again to the recommendations made in its first report (E/2003/8) regarding the agriculture sector, in particular the fisheries and rice subsectors, which are ready for take-off if they benefit from modest investment.**

28. **To create the conditions for the full engagement of the donor community, the Ad Hoc Advisory Group on Guinea-Bissau urges the Council to call on the Executive Board of IMF to consider the resumption of a programme for the country. The Group also strongly recommends that the Council call on donors to participate in the round table being organized by UNDP, tentatively scheduled for November 2004.**

Notes

[1] IMF reports that real gross domestic product (GDP) is expected to remain at the same level in 2003 as in 2002, which means a further fall in per capita income. Indeed, the UNDP *Human Development Report 2004* shows Guinea-Bissau ranked 172 of 177, representing a fall in its position vis-à-vis 2003.

[2] Guinea-Bissau's military contribution to the United Nations Mission in Liberia (UNMIL) for a period of eight months has been highly appreciated.

[3] Article 96 of the Cotonou Agreement calls for consultations when a Party considers that the other Party has failed to fulfil an obligation stemming from respect for human rights, democratic principles and the rule of law.

[4] The next structural adjustment programme is expected to be launched in 2006.

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Sustainable development

Letter dated 6 July 2004 from the Permanent Representative of Maldives to the United Nations addressed to the President of the Economic and Social Council

I have the honour to forward herewith a memorandum prepared by the Government of the Republic of Maldives outlining its concerns on the issue of its graduation from the list of least developed countries (see annex).

I would be most grateful if you would kindly arrange to have the text of this letter and the memorandum annexed to it circulated as a document of the substantive session of 2004 of the Economic and Social Council under agenda item 13 (a).

(*Signed*) Mohamed **Latheef**
Permanent Representative

04-42475 (E) 140704

Annex

Memorandum by the Government of Maldives on its Concerns on the Impact of Graduation from the list of Least Developed Countries

June 2004

1. Introduction

This Memorandum has been prepared to explain the main concerns of the Government of Maldives regarding the graduation of the Maldives from the list of Least Developed Countries without putting in place proper mechanisms for a smooth transition. The Memorandum also aims at underscoring the acute need for a *smooth* transition mechanism in view of the vulnerability of the Maldives, its narrow economic base and its structural impediments to development.

2. Background

Least Developed Countries have been identified as those that face *structural handicaps to development* through poverty, a narrow economic base and a low-level of human resource capacity[1]. Hence, the purpose of identifying LDCs has been to grant them special treatment in development assistance, market access and other concessions, which over time have also included less onerous obligations in various international treaty regimes.

To identify LDCs, the UN's Committee for Development Policy (CDP) uses three benchmarks that look at income, the level of human resources development and economic vulnerability. A country has to meet two of these three criteria in two consecutive triennial reviews in order to qualify for graduation.

The question of graduation of Maldives from the list of LDCs first came to the forefront in 1997 when it met the income and human resources development criteria. The conclusion of the 2000 and 2003 reviews was the same. The Maldives has been challenging the suitability of the criteria and the accuracy of the information used to judge its performance. It has also been expressing concern over adverse consequences of premature graduation. As a result, the Economic and Social Council (ECOSOC) in 2000 decided to defer the consideration of graduation of the Maldives until 2003 in order to address the issues raised by the Government of Maldives[2]. Several modifications have been made to the criteria over time by the CDP making the indicators more sensitive to the actual situation of the countries being examined.

However, the primary concerns of the Maldives over graduation still persist. These are, that (i) the criteria do not sufficiently capture the development constraints and handicaps of the Maldives as a small island state; (ii) the country still remains dependent on development aid, technical assistance and concessional financing; and (iii) its market access would be seriously imperiled by the loss of LDC status.

The ECOSOC in 2000 by its resolution 2000/34 called for two reports in the interest of observing the principle that graduation should not leave a country worse off than before. One report was to be submitted by UNCTAD incorporating an assessment of the impact of graduation of Maldives, and the other by the Secretary-General on the arrangements made by the donors in response to UNGA

[1] 2003 UNCTAD Vulnerability Profile of Maldives.
[2] ECOSOC resolution 2000/34 of 28 July 2000.

resolution 46/206 to ensure *smooth transition* to graduating countries. These two reports have only been partly completed as of to date.

3. Concerns on the impact of graduation

The Government of Maldives has been expressing its concerns on the impact of graduation and the CDP has been acknowledging these concerns in its reports of 2001, 2002 and 2003. The CDP in its 2003 report stated that "the Committee recognizes that Maldives faces special difficulties and costs because it is a small, widely dispersed island economy and that it may loose important international benefits if it graduates from the list of least developed countries"[3]. Its recognition of these structural handicaps and potential exogenous shocks led the Committee to "stress the necessity to put in place a smooth transition strategy" in its report of 2004.

Although there has been no concrete assessment of the costs of graduation for the Maldives, the 2003 UNCTAD country profile on the Maldives do highlight a number of issues such as international trade, development financing and technical assistance that are important to the Maldives. A number of critical issues such as the impact on macroeconomic performance and on demographic transition, though, have not been addressed in the UNCTAD profile. The CDP report too has not addressed these basic issues.

Following are some of the concerns in brief which demonstrate the magnitude of the costs of graduation and the rationale for a *smooth* transition mechanism:

a. Loss of preferential treatment in trade and access to markets

Graduation would undermine the viability of the fisheries sector due to the loss of concessionary access to markets. As the UNCTAD profile notes, graduation would lead to the imposition of a 24.3% tariff on exports of canned and fresh fish products to EU markets as the Maldives will loose eligibility for duty-free access granted by EU to LDCs[4]. Over 95% of the Maldives canned tuna are exported to the EU market. Fisheries sector being the second most important industry in the Maldives (10% of total foreign exchange earnings, 11% of the work force, and 65% of the population depend directly or indirectly), losing preferential access to markets would have serious adverse socio-economic repercussions on the country as the Maldives will not be able to compete in the EU market. In addition, fisheries sector is often the only source of employment in the atolls. Thus, graduation would further increase the high income disparities, and disrupt and dislocate efforts to develop the atolls.

Graduation would also affect the garment industry severely as exports depend on the rules of origin criteria. This is important to a country that lacks natural resources. Thus, loss of preferential access will cause the garment industry to shut down and would decrease the attraction for developing other manufactured goods.

[3] CDP Report 2003, para 21.
[4] UNCTAD 2003.

Moreover, graduation would imply that the Maldives will face more onerous obligations in multilateral regimes such as the WTO. Graduation will also possibly deny the Maldives of the benefits under the WTO Integrated Framework for Trade Related Technical Assistance.

b. Decline in foreign aid (ODA)

Donor agencies have always exhibited preference to LDCs in their offer of aid and even in their offer of concessional lending. As the **UNCTAD profile**[5] notes "there is a paramount need for maximum concessionary financing" for the Maldives to sustain its current development programmes. Thus, graduation from the list of LDCs would disrupt the development process as 60% of total development expenditure is derived from foreign aid (grants and concessional loans) and as 80% of total expenditure on socio-economic services is derived from foreign aid. The country's efforts towards sustainable development would, therefore, be severely undermined.

c. Increase in debt burden

With the loss of concessionary financing from foreign aid, the Maldives will have to rely on non-concessionary financing and on the open capital market which in turn will increase the debt servicing burden. Higher interest rates and shorter repayment periods will significantly increase the cost of capital and lower capital efficiency in the economy. Even if Maldives were able to manage economic growth the increase in debt burden would have a crushing effect on the fragile economy.

d. Loss of technical assistance

UNCTAD profile[6] highlights that there is a permanent need for the Maldives to strengthen institutional capacities. Given the relative scarcity of skilled manpower, graduation would cease the wide range of technical assistance that the Maldives is granted under the least developed country regime. A significant percentage of current aid comes in the form of technical assistance aimed at enhancing human resource development and capacity building.

e. Loss of other support measures

By virtue of its LDC status, the Maldives has been receiving special assistance from the UN and its related bodies, other multinational institutions and bilateral donors. These include provision of funds for participation in international conferences, negotiations, seminars, workshops and training programmes. Graduation would eliminate such support, severely affecting the ability of the country to participate in international fora and causing an extra strain on the budgetary resources.

[5] 2003 UNCTAD Vulnerability Profile of Maldives.
[6] ibid.

4. Importance of a smooth transition mechanism

The UN General Assembly in its resolution 46/206 has stipulated that graduation should not disrupt the development of a country. The ECOSOC in its resolutions 2000/34, 2001/43 and 2002/36 and the CDP in its reports for 2001, 2002 and 2003 has also stressed the need for examining the issues relating to graduation. In addition, the CDP during the Sixth Session held from 29 March to 2 April 2004, stressed the necessity to put in place a smooth transition strategy by the graduating countries themselves and the international community to avoid a negative shock from graduation.

The Government of Maldives has repeatedly emphasized the importance of establishing a smooth transition mechanism as stipulated by the General Assembly and the ECOSOC. Such measures should ensure the provision of adequate technical assistance, grant aid and concessionary finance and the enjoyment of trade related preferences for a prolonged period to avoid any disruptions to growth and sustainable development. The articulation of specific measures, specific commitments and specific timeframes are essential to meet the CDP declaration that graduation is likely to present different countries with different challenges. CDP has, therefore, spelled out a guiding principle that specific transition support measures, monitoring arrangements and the period of transition shall be decided on a case-by-case basis[7].

It is therefore imperative that not only a concrete assessment of the costs of graduation for each country be made, but also that concrete measures are also set in place to initiate a dynamic process of sustainable development. In the absence of these measures, "a sudden withdrawal of external support is likely to constitute such a shock and to have negative effects, possibly reversing some of the development progress achieved"[8]. Hence, it would not be prudent to graduate first and then commence work on commitments for special treatment.

The Government of Maldives, thus, once again reiterates the importance of giving operational effect to the fundamental principles asserted by the General Assembly and ECOSOC resolutions so as to provide for adjustment costs and measures for longer-term sustainable development before graduating any LDC, including the Maldives, from the LDC list.

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[7] 2004 CDP Report, Chapter 1, Recommendation 4(ii).
[8] 2003 CDP Report.

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Formulating a smooth transition strategy for countries graduating from least developed country status

Report of the Secretary-General

Summary

Graduation from the least developed country category reflects a country's success in its development and in its ability to achieve a transformation of its economy. Support by development partners — in the form of trade preferences, official development assistance and technical cooperation — has often played a role in achieving that success. A continued element of support for an adequate period — a "smooth transition" — is thus likely to be critical for the continued development of graduated countries. Since graduation is likely to present different countries with different challenges, individual strategies need to be attuned to different country circumstances and should therefore be formulated by the graduated country itself, in collaboration with its development partners. A smooth transition strategy for graduated least developed countries should relate to actions to be taken domestically but should also address the possibility that benefits available to least developed countries may be reduced for a country upon graduation. The major benefits associated with least developed country status vary among donors but a continuation of some trade-related preferences could be important for some graduated countries. Many trade benefits, however, are governed by intergovernmental rules established by the World Trade Organization. The Economic and Social Council may wish to invite development partners, particularly the membership of the World Trade Organization, to give favourable consideration to the recommendations made in the present report.

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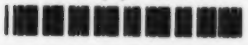

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Introduction

1. In its resolution 2004/3 of 3 June 2004, the Economic and Social Council requested the Secretary-General, in consultation with Member States, to submit to the Council at its substantive session of 2004, a report including recommendations on how to formulate a smooth transition strategy for countries graduating from least developed country status. The resolution also requested the Secretary-General to prepare the report in an inclusive and transparent manner with the involvement of Member States, in particular the least developed countries, as well as bilateral and multilateral donors and relevant international organizations.

2. The present report responds to that request, taking into account the recommendations made by the Committee for Development Policy at its sixth session,[1] information provided to the Committee by a number of international organizations,[2] and information provided by Governments following the adoption of Economic and Social Council resolution 2004/3.[3]

3. This report also builds upon the Secretariat's ongoing work dating back to the preparation of a previous report of the Secretary-General on ensuring a smooth transition of countries graduating from least developed country status, submitted to the Economic and Social Council at its substantive session of 2001 (E/2001/94 and Corr.1). That report concluded, inter alia, that the Secretariat had received insufficient information required to make recommendations on additional measures that could be taken to ensure a smooth transition for graduated countries. Following a review of that report, the Council, in its resolution 2001/43 of 24 October 2001, called upon development partners and multilateral organizations to make available to the Committee for Development Policy the relevant information on their likely response to a country's graduation, before the fourth session of the Committee in 2002.

4. In response to Economic and Social Council resolution 2001/43, the Under-Secretary-General for Economic and Social Affairs sent a letter, dated 16 January 2002, to the Governments of countries members of the Organization for Economic Cooperation and Development/Development Assistance Committee (OECD/DAC), requesting inputs on their likely response to a country's graduation from the list of least developed countries. The replies to this request are contained in the report of

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[1] See *Official Records of the Economic and Social Council, 2004, Supplement No. 13* (E/2004/33).

[2] The Economic and Social Commission for Asia and the Pacific (ESCAP), the United Nations Conference on Trade and Development (UNCTAD), the United Nations Development Programme (UNDP), the World Bank, the World Trade Organization, and the Development Assistance Committee of the Organization for Economic Cooperation and Development (OECD/DAC). See, in particular, the note by UNCTAD entitled "An overview of desirable 'smooth transition' modalities for countries graduating from least developed country status", available from http://www.un.org/esa/analysis/devplan/index.html. Path: Background Papers of the sixth session (accessed 14 July 2004).

[3] As of 15 July 2004, the Secretariat had received six replies to a letter sent to all Permanent Missions by the Secretariat on 9 June 2004. Three replies — those of Benin (on behalf of 50 least developed countries), Canada, and Ireland (on behalf of 25 States Members of the United Nations that are members of the European Union) — thus represented the views of 76 Member States. There were also replies from three least developed countries that either qualify or are eligible for graduation (Cape Verde, Maldives and Samoa). These replies are available from http://www.un.org/esa/analysis/devplan/index.html (accessed 15 July 2004).

the Committee for Development Policy on its fourth session.[4] The Committee took note of this information during its triennial review of the list of least developed countries in 2003.

5. Subsequently, in its resolution 2002/36 of 26 July 2002, the Economic and Social Council urged the international organizations, bilateral donors and graduating or near-graduating countries to continue the debate concerning the treatment of graduating countries with a view to ensuring that the graduation of a country from the list of least developed countries should not result in disruption to its development plans, programmes and projects and the importance of ensuring a smooth transition from least developed country status for countries that became eligible for graduation. In response to both that resolution and Council decision 2003/281 of 24 July 2003, in which the Council requested the Secretary-General to provide the necessary technical support to the Council regarding the 2003 review by the Committee for Development Policy of the list of least developed countries, the Secretary of the Committee wrote a letter, dated 19 September 2003, to the Governments of OECD/DAC countries requesting further information on benefits currently available to least developed countries, which might be at risk of being withdrawn if a country was to graduate from the least developed country category.[5]

I. Benefits associated with least developed country status

6. Development partners provide a variety of benefits to least developed countries because of their designation as least developed countries. There is some apprehension that, if these benefits were to be withdrawn immediately upon graduation, there would be a disruption of the development prospects of the graduated country. It is to avoid such a possibility that there is a need for a smooth transition strategy. In order to devise such a strategy, it is necessary to identify the benefits that countries receive as a result of their least developed country status, and that they may lose as a result of graduation.

7. The major benefits associated with least developed country status vary among donors and are mostly related to trade preferences and the volume of official development assistance (ODA). They fall into four main areas: (a) preferential market access; (b) special treatment regarding World Trade Organization-related obligations; (c) ODA and other forms of development financing; and (d) technical cooperation and other forms of assistance, including financial support for the participation of representatives of Governments of least developed countries in some United Nations meetings.

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[4] See *Official Records of the Economic and Social Council, 2002, Supplement No. 33* (E/2002/33), annex I. The Secretariat received replies from 10 development partners — Canada, Finland, France, Germany, Italy, Netherlands, New Zealand, Norway, United Kingdom of Great Britain and Northern Ireland and United States of America — to letters sent to representatives of 22 OECD/DAC countries in January 2002 and September 2003.

[5] Only one Member State (Germany) replied to this request, stating that the German Government maintained the position indicated in the reply to the previous letter, dated 16 January 2002.

A. Preferential market access

1. General schemes

8. Market access preferences entitle exporters from least developed countries to pay lower tariffs or to have duty- and quota-free access to developed and developing countries' markets.[6] These non-reciprocal preferences are granted under two general preferential schemes: (a) the Generalized System of Preferences (GSP), involving either total or near-total product coverage for all least developed countries[7] or partial product coverage for all least developed countries;[8] and (b) the Global System of Trade Preferences (GSTP), involving either all least developed countries or selected least developed countries.[9] There are also initiatives by some trading partners involving special preferences either for all least developed countries or for those in specific regions. For example, India grants market access preferences under the Agreement on SAARC Preferential Trading Arrangement (SAPTA) to least developed country members of the South Asian Association for Regional Cooperation (SAARC).

9. However, with the general trend towards freer trade and erosion of trade preferences for all developing countries, least developed country benefits will gradually dissipate as trade barriers for all developing countries fall. In addition, market access preferences granted to least developed countries often contain critical exceptions. This is notably so in the case of those granted by the Quad countries — Canada, the members of the European Union (EU), Japan and the United States of America. For example, the EU "Everything but Arms" initiative (EBA)[10] contains temporary exceptions of potential importance to least developed countries: bananas, rice and sugar. Canada maintains similar restrictions on dairy products and poultry; Japan, on a range of agricultural products; and the United States of America, on textiles and apparel.

10. Nonetheless, available data show that Quad countries' total imports from least developed countries more than doubled between 1996 and 2001 — even with relatively low rates of utilization of market access preferences[11] (see figure). Furthermore, total exports of least developed countries to Quad countries — notably

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[6] For a comprehensive list of preferential market access schemes targeting least developed countries — by both developed and developing countries — see the United Nations Conference on Trade and Development (UNCTAD), *The Least Developed Countries Report 2004* (United Nations publication, Sales No. E.04.II.D.27), tables 48 and 49.

[7] According to the latest available information, this modality of GSP is granted by Australia, Canada, Czech Republic, Hungary, Iceland, Japan, New Zealand, Norway, Poland, Slovakia, Slovenia and Switzerland, as well as the European Union, notably with regard to its "Everything but Arms" initiative (EBA).

[8] Granted by Bulgaria, Mauritius, the Republic of Korea, Singapore, Thailand, Turkey and the United States.

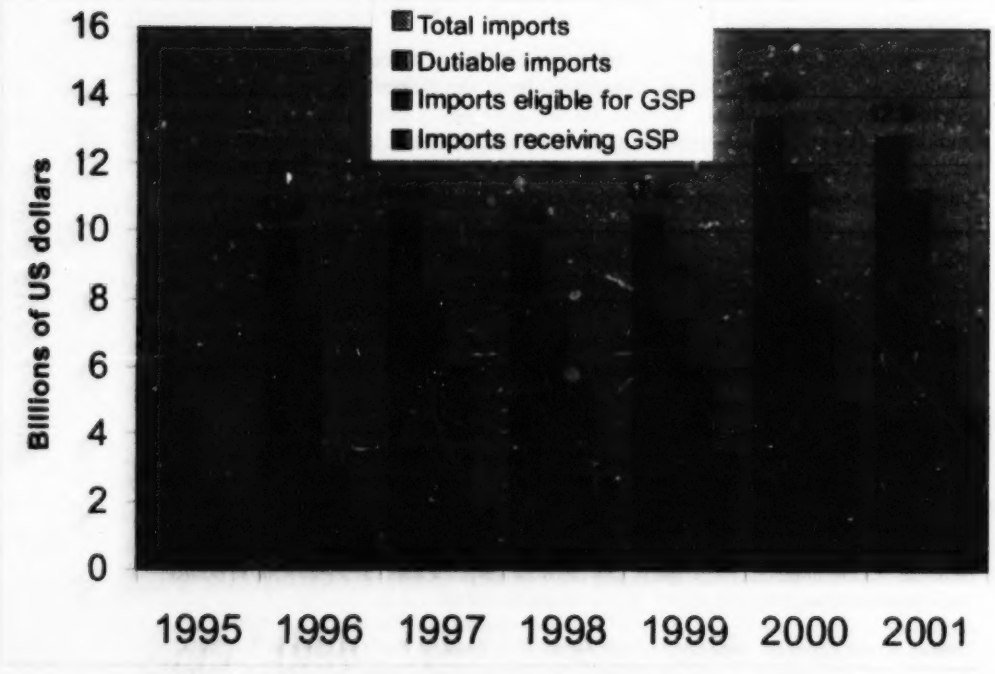
[9] Granted by Argentina (all products); Egypt (selected products); and India (selected products for selected least developed countries).

[10] EBA, introduced in 2001, grants duty- and quota-free access to exports from all least developed countries (with the permanent exception of arms and ammunition).

[11] The most important obstacles to the full utilization of trade preferences include supply-side constraints, rules of origin restrictions, non-tariff barriers — such as complying with product standards, sanitary measures and eco-labelling — and subsidies in developed countries (see UNCTAD, *Trade Preferences for least developed countries: An Early Assessment of Benefits and Possible Improvements* (document UNCTAD/ITCD/TSB/2003/8)).

Japan and Canada — increased more rapidly than exports from other developing countries between 2001 and 2002 (see table 1), although part of that increase is attributed to greater rates of utilization of market preferences (see figure). If least developed countries (including candidates for graduation) took measures to deal with capacity constraints, they could take greater advantage of existing preferential market access schemes. Moreover, this positive trend may be further stimulated by the expansion of existing preferential market access schemes for least developed countries or the introduction of new ones. There were, for example, expansions of product coverage in Canada's least developed country GSP scheme in 2002 and 2003 and in Japan's least developed country GSP scheme in 2001-2002 and 2003.

Imports and effectiveness of market access preferences, granted through the Generalized System of Preferences (GSP), of Quad countries for least developed countries, 1995-2001



Source: UN/DESA, based on UNCTAD, *The Least Developed Countries Report 2004* (United Nations publication, Sales No. E.04.II.D.27), table 51.

11. The graduation of a country from the least developed country category (regardless of whether the graduated country is a State member of the World Trade Organization) might legally require or be expected to prompt trading partners to change their preferential treatment for least developed countries to the (usually less advantageous) treatment granted to other developing countries under GSP/GSTP schemes, or to most favoured nation (MFN) treatment, that is to say, treatment based on the principle of not discriminating between trading partners.

Table 1
Quad countries' merchandise imports from least developed countries and other developing countries, 1992-2002

Quad importer	LDC[a]/ODC[b] exporter	Share of total imports (percentage)		Percentage change over previous year				
		1992	2002	1998	1999	2000	2001	2002
Canada	LDC	0.2	0.2	-2.7	-12.5	12.6	35.3	11.3
	ODC	12.5	17.4	-3.0	-4.5	12.0	2.1	7.4
European Union	LDC	0.5	0.6	-3.0	-24.2	9.5	14.0	1.9
	ODC	13.9	16.5	-0.2	4.4	11.5	-1.4	-1.3
Japan	LDC	0.5	0.4	-4.9	-1.1	-1.1	-3.1	39.2
	ODC	49.7	59.4	-1.3	1.5	9.3	0.4	1.0
United States	LDC	0.8	0.8	0.6	-14.8	14.5	7.5	-4.1
	ODC	40.3	47.2	-4.4	6.2	4.2	-0.5	2.9

Source: UNCTAD, *The Least Developed Countries Report 2004* (United Nations publication, Sales No. E.04.II.D.27), table 50.

[a] Least developed country.

[b] Developing country other than a least developed country.

2. Textiles and clothing

12. Since 1995, international trade in textiles has been governed by the World Trade Organization Agreement on Textiles and Clothing.[12] By allowing quotas, this Agreement conflicts with the General Agreement on Tariffs and Trade (GATT)/World Trade Organization general preference for customs tariffs instead of quantitative restrictions. Trade in textiles regulated under the Agreement on Textiles and Clothing also includes exceptions to the MFN principle of treating all trading partners equally because of provisions specifying how much each importing country can accept from individual exporting countries. While most countries have faced relatively high import barriers to their textile exports, some least developed countries — notably in Asia — have benefited from preferential market access in textile products.

13. Textiles and clothing products are, however, being gradually returned to GATT/World Trade Organization rules over a 10-year period as a result of the Uruguay Round of multilateral trade negotiations, and the Agreement on Textiles and Clothing itself will no longer exist after 1 January 2005. This will involve the elimination by that date of both quantitative restrictions and the ability of importing countries to discriminate among exporters. The overall impact of the elimination of import quotas and the preferential advantages of least developed countries will "be determined by whether the provision of unilaterally granted market access preferences for least developed countries can balance the negative effects of the phasing out of the Agreement on Textiles and Clothing".[13]

[12] See *Legal Instruments Embodying the Results of the Uruguay Round of Multilateral Trade Negotiations, done at Marrakesh on 15 April 1994* (GATT secretariat publication, Sales No. GATT/1994-7). Also available from http://www.wto.org/english/tratop_e/texti_e/texti_e.htm (accessed 15 July 2004).

[13] See *The Least Developed Countries Report 2004* ..., box 14, fourth paragraph.

B. Special treatment regarding World Trade Organization-related obligations

14. Different World Trade Organization Agreements contain nearly 150 separate articles or paragraphs with provisions for special and differential treatment for developing countries: about 100 of those articles are applicable to all developing countries and the remainder apply to different subgroups of developing countries. There are over 20 articles that extend special and differential treatment explicitly to least developed countries.

15. Least developed countries that are already World Trade Organization member States[14] enjoy exemptions or special consideration regarding the implementation of World Trade Organization agreements in the following eight areas: accession to the World Trade Organization; sanitary and phytosanitary measures; technical barriers to trade; subsidies and countervailing measures; trade in services; trade-related aspects of intellectual property rights; settlement of disputes; and trade policy reviews. Unlike broad GSP or GSTP schemes, these types of special treatment are available to least developed countries because of their membership of the World Trade Organization. Least developed countries (and graduated least developed countries) that are not already members of the World Trade Organization have to negotiate their accession, including their eligibility for these exemptions or special consideration.

1. Accession to the World Trade Organization

16. Every accession process is a negotiation between the acceding country and interested World Trade Organization members; and this being the case, like all other World Trade Organization-related commitments, special and differential treatment is discussed between acceding Governments and members on a case-by-case basis. In the light of the greater difficulties faced by acceding least developed countries in respect of putting in place World Trade Organization-compliant rules and regulations, in the Ministerial Declaration of the Fourth Ministerial Conference of the World Trade Organization, held at Doha from 9 to 13 November 2001 (Doha Declaration),[15] the Ministerial Conference recognized "that the integration of the least developed countries into the multilateral trading system requires meaningful market access, support for the diversification of their production and export base, and trade-related technical assistance and capacity-building" and agreed "to work to facilitate and accelerate negotiations with acceding least developed countries" (para. 42). There are currently eight least developed countries in the process of acceding to the World Trade Organization: Bhutan, Cape Verde, Ethiopia, the Lao People's Democratic Republic, Samoa, the Sudan, Vanuatu and Yemen.

17. The General Council of the World Trade Organization adopted guidelines for facilitating and accelerating negotiations with acceding least developed countries in December 2002. At present, the guidelines include: (a) the exercise of restraint by World Trade Organization members in seeking excessive concessions from acceding

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[14] Thirty-one of the 50 least developed countries are member States of the World Trade Organization. Another 11 least developed countries are Observers and, according to World Trade Organization rules, must start accession negotiations within five years of having become Observers.

[15] A/C.2/56/7, annex, available from http://www.wto.org/english/thewto_e/minist_e/min01_e/mindecl_e.htm (accessed 14 July 2004).

least developed countries, notably those incompatible with their individual development, financial and trade needs; (b) the granting of transitional periods to enable acceding least developed countries to effectively implement commitments and obligations; (c) the provision of technical assistance by World Trade Organization member States on a priority basis to cover all stages of the process of accession by a least developed country; and (d) the provision of technical assistance on accession procedures by the World Trade Organization secretariat, upon request.[16]

18. These guidelines have proved to be important in facilitating and accelerating the accession of least developed countries to the World Trade Organization and have led to more flexibility in the granting of transition periods to acceding least developed countries. Cambodia and Nepal, for example, which completed their accession process in 2003, have both been granted transition periods of from three to five years for the implementation of several World Trade Organization agreements.

2. Sanitary and phytosanitary measures

19. Members of the World Trade Organization have the right to take sanitary and phytosanitary measures necessary for the protection of human, animal or plant life or health, provided that such measures are consistent with the provisions of the World Trade Organization Agreement on the Application of Sanitary and Phytosanitary Measures, which is broadly aimed at precluding disguised restrictions on international trade.[17] The Agreement requires that World Trade Organization members take account of the special needs of developing-country members and, in particular, of least developed country members, that may encounter special difficulties in complying with the sanitary or phytosanitary measures of importing members — and, as a consequence, in achieving access to markets — and also in the formulation and application of sanitary or phytosanitary measures in their own territories.

20. Least developed country members of the World Trade Organization had been allowed to delay the application of the provisions of the Agreement on the Application of Sanitary and Phytosanitary Measures related to imported products for a period of five years. This period ended on 1 January 2000. Developing countries were granted a transition period of two years ending on 1 January 1997. For acceding countries, including least developed countries, there is no predetermined transition period for implementing the provisions of the Agreement. During accession negotiations, such arrangements are agreed upon on a case-by-case basis, taking into account the needs and constraints of the country concerned. As mentioned above, the General Council guidelines regarding the accession of least developed countries call for the granting of transitional periods.

3. Technical barriers to trade

21. The World Trade Organization Agreement on Technical Barriers to Trade covers technical regulations, standards and procedures to ensure that they do not create unnecessary obstacles to international trade.[18] The Agreement, recognizes,

[16] See document WT/COMTD/LDC/12 of 5 December 2002.

[17] The full text of the Agreement is available from http://www.wto.org/english/tratop_e/sps_e/spsagr_e.htm (accessed 14 July 2004).

[18] The full text of the Agreement on Technical Barriers to Trade is available from http://www.wto.org/english/tratop_e/tbt_e/tbtagr_e.htm (accessed 15 July 2004).

however, that developing-country members, in particular least developed countries, may face special problems, including institutional and infrastructural problems, in the preparation and application of technical regulations and standards.

22. The Agreement on Technical Barriers to Trade thus calls upon World Trade Organization members to provide technical assistance in the preparation and application of technical regulations to developing-country members, taking into account the stage of development of the requesting members and, in particular, of least developed country members. In addition, the World Trade Organization Committee on Technical Barriers to Trade is entitled to grant, upon request, specified time-limited exemptions from obligations under the Agreement, taking into account the special problems of least developed country members.

4. Subsidies and countervailing measures

23. The World Trade Organization Agreement on Subsidies and Countervailing Measures establishes basic rules on the use of subsidies and regulates the actions World Trade Organization members can take to counter the effects of subsidies.[19] The Agreement stipulates that a World Trade Organization member State can use the World Trade Organization dispute-settlement machinery to seek the withdrawal of a subsidy or the removal of its adverse effects. In addition, any World Trade Organization member State can launch its own investigation and ultimately charge a countervailing duty on subsidized imports that have harmed domestic producers.

24. The Agreement on Subsidies and Countervailing Measures recognizes three categories of developing-country members: least developed countries; other World Trade Organization members with a gross national product (GNP) per capita of less than US$ 1,000 per year; and other developing countries. The lower the stage of development of the World Trade Organization member State, the more favourable the treatment it receives with respect to the Agreement's obligations on subsidies. Least developed countries and World Trade Organization members with a GNP per capita of less than $1,000 per year are exempt from the prohibition on export subsidies, but other developing-country members have an eight-year period to phase out their export subsidies. As regards countervailing measures, exporters from developing countries — including least developed countries — are entitled to more favourable treatment with respect to the termination of investigations in cases where the level of subsidization or volume of imports is small.

5. Trade in services

25. The World Trade Organization General Agreement on Trade in Services[20] calls for the increasing participation of developing-country members in world trade — to be facilitated through negotiated specific commitments — with special priority to be given to least developed countries. The Agreement also stresses that "(p)articular account shall be taken of the serious difficulty of the least developed countries in accepting negotiated specific commitments in view of their special economic situation and their development, trade and financial needs".[21] In addition, the

[19] The full text of the Agreement on Subsidies and Countervailing Measures is available from http://www.wto.org/english/tratop_e/scm_e/subs_e.htm (accessed 15 July 2004).

[20] The full text of the General Agreement on Trade in Services is available from http://www.wto.org/english/tratop_e/serv_e/gatsintr_e.htm (accessed 14 July 2004).

[21] See article IV.3.

Agreement calls upon all World Trade Organization members to give special consideration to efforts made by least developed country members to encourage foreign suppliers of telecommunications services to assist in the transfer of technology, training and other activities that support the development of their telecommunications infrastructure and expansion of their telecommunications services trade.

6. Trade-related aspects of intellectual property rights

26. The World Trade Organization recognizes the special interest of least developed countries in obtaining maximum flexibility in the implementation of domestic regulations aimed at creating a sound technological base. Least developed countries have thus been granted a delay of 11 years in implementing most obligations in respect of trade-related aspects of intellectual property rights. Extensions shall be accorded following a "duly motivated request". The World Trade Organization has also decided that the obligations of least developed country members relating to patents and undisclosed information and under paragraph 9 of article 70 of the Agreement on Trade-related Aspect of Intellectual Property Rights[22] shall not apply with respect to pharmaceutical products until 1 January 2016.[23] In addition, developed-country members of the World Trade Organization are required to provide incentives to enterprises and institutions in their territories for the purpose of encouraging technology transfers to least developed countries. The World Trade Organization has adopted a system for monitoring compliance with this obligation.[24]

27. In the Doha-related work on outstanding implementation issues, least developed countries have proposed that the transition period granted to them with respect to applying the provisions of the Agreement on Trade-related Aspects of Intellectual Property Rights[22] be extended as long as they retain their least developed country status.

7. Settlement of disputes

28. "Particular consideration" of the special situation of least developed country members is given at all stages of the determination of the causes of a dispute and of dispute settlement procedures involving a least developed country member. World Trade Organization members are also to "exercise due restraint" in raising matters under the dispute settlement procedures involving a least developed country member, and in seeking compensation or authorization to suspend concessions if nullification or impairment results from a measure taken by a least developed country member. In disputes involving a least developed country member, where consultations have not led to a satisfactory solution, the Director-General of the World Trade Organization or the Chairperson of the Dispute Settlement Body shall offer his or her "good offices", conciliation and mediation upon request by a least developed country member, with a view to assisting the parties in finding an acceptable solution.

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[22] The full text of the Agreement on Trade-related Aspects of Intellectual Property Rights is available from http://www.wto.org/english/tratop_e/trips_e/t_agm0_e.htm (accessed July 2004).

[23] See World Trade Organization documents IP/C/25 of 1 July 2002 and WT/L/478 of 12 July 2002.

[24] Document IP/C/28 of 20 February 2003.

8. Trade policy review mechanism

29. Least developed countries enjoy a good deal of flexibility with regard to the obligation to carry out a periodic trade policy review, and particular attention has been given by the World Trade Organization Secretariat to requests from least developed countries for technical assistance in undertaking these reviews.[25]

C. Development financing

1. Bilateral assistance

30. Benefits in the area of bilateral development financing usually involve voluntary commitments made by developed countries. In the Brussels Declaration (A/CONF.191/12) and Programme of Action for the Least Developed Countries for the Decade 2001-2010 (A/CONF.191/11),[26] donor countries that had previously pledged to reach the target of 0.15 per cent of gross national product (GNP) as official development assistance (ODA) to least developed countries as a group (there are no targets for individual least developed countries) restated their commitment to meet the 0.15 per cent target expeditiously. Donor countries that had already met the 0.15 per cent target also undertook to reach the 0.20 per cent target expeditiously. In addition, the Brussels Declaration and Programme of Action undertook to implement a recommendation made by member States of the Development Assistance Committee of the Organization for Economic Cooperation and Development (OECD/DAC) on untying ODA to least developed countries.

31. The second half of the 1990s witnessed a decline in bilateral ODA flows to all but eight least developed countries (see table 2). Net ODA receipts by least developed countries as a whole had fallen by almost 30 per cent between 1995 and 2000, although this trend was reversed at the beginning of the present decade, as total ODA receipts in 2002 recovered to 1995 levels (in current United States dollars). In information previously provided to the Secretariat (see para. 4 above), several donor Governments noted that least developed country status was just one of the many factors that had determined their levels of development assistance and that graduation would have no direct effect on the provision of such assistance to an individual country. One country stated that graduated countries would no longer be entitled to the ODA targets agreed upon in the Brussels Declaration and Programme of Action for the Least Developed Countries for the Decade 2001-2010. Others indicated that the least developed country category was not specifically recognized for bilateral development aid purposes. One country stressed that decisions on levels of ODA to graduated countries would be made on a case-by-case basis, taking into account poverty levels and environmental vulnerability. Another reply pointed out that graduated countries would continue to receive financial assistance for the promotion of private sector expansion and investment instruments.

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[25] The full text of the World Trade Organization Trade Policy Review Mechanism is available at http://www.wto.org/english/docs_e/legal_e/29-tprm_e.htm (accessed 15 July 2004).

[26] Adopted by the Third United Nations Conference on the Least Developed Countries, held in Brussels from 14 to 20 May 2001, and endorsed by General Assembly resolution 55/279 of 12 July 2001.

Table 2
Official development assistance to least developed countries, 1990-2002
(Millions of United States dollars)

Aid recipient country	*1990*	*1995*	*2000*	*2001*	*2002*
Afghanistan	137	215	141	408	1 285
Angola	270	418	307	289	421
Bangladesh	2 047	1 280	1 171	1 030	913
Benin	271	282	239	274	220
Bhutan	48	74	53	61	73
Burkina Faso	336	488	336	392	473
Burundi	266	289	93	137	172
Cambodia	42	567	398	420	487
Cape Verde	111	117	94	77	92
Central African Republic	244	168	75	67	60
Chad	308	239	131	187	233
Comoros	46	44	19	27	32
Democratic Republic of the Congo	897	196	184	263	807
Djibouti	195	106	71	58	78
Equatorial Guinea	63	34	21	13	20
Eritrea	[a]	150	176	281	230
Ethiopia	1 021	888	693	1 116	1 307
Gambia	91	48	49	54	61
Guinea	297	416	153	280	250
Guinea-Bissau	132	117	80	59	59
Haiti	173	731	208	171	156
Kiribati	21	15	18	12	21
Lao People's Democratic Republic	152	313	282	245	278
Lesotho	139	115	37	56	76
Liberia	112	123	68	39	52
Madagascar	386	303	322	366	373
Malawi	481	434	446	404	377
Maldives	22	56	19	25	27
Mali	468	546	360	354	472
Mauritania	229	231	212	268	355
Mozambique	996	1 101	877	933	2 058
Myanmar	166	152	107	127	121
Nepal	430	436	390	394	365
Niger	391	274	211	257	298
Rwanda	294	712	322	299	356
Samoa	48	43	27	43	38
Sao Tome and Principe	56	84	35	38	26

Aid recipient country	*1990*	*1995*	*2000*	*2001*	*2002*
Senegal	795	671	423	413	449
Sierra Leone	65	207	182	345	353
Solomon Islands	45	47	68	59	26
Somalia	494	191	104	150	194
Sudan	827	236	225	185	351
Tanzania, United Republic of	1 147	882	1 022	1 271	1 233
Timor-Leste	[a]	[a]	233	195	220
Togo	241	193	70	44	51
Tuvalu	5	8	4	10	12
Uganda	553	831	819	793	638
Vanuatu	50	46	46	32	28
Yemen	407	175	265	461	584
Zambia	486	2 035	795	349	641
Total	**16 501**	**17 327**	**12 681**	**13 831**	**17 502**

Source: UN/DESA, based on Organization for Economic Cooperation and Development, *Development Cooperation* (Paris, various years).

[a] Data unavailable.

32. With regard to untied aid, there are also indications that donor responses to graduation may differ. One of the replies stressed that graduated countries would no longer be entitled to untied aid. Another country stated, however, that the decision to untie aid to least developed countries had removed least developed country access to its tied aid programme and that, as a result, a separate least developed country fund had been created to compensate for this loss. It also emphasized that graduated countries would be automatically entitled to its tied aid programme.

2. Multilateral assistance

33. The allocation of concessionary financing to developing countries by regional and multilateral banks is generally based on the World Bank's classification of low-income countries that are considered to lack creditworthiness for non-concessionary financing. Concessionary financing from the International Development Association (IDA) is granted to all countries below a certain threshold of per capita income. Since there is no special benefit available to a least developed country per se, graduation from the least developed country category is not relevant to a country's access to the concessionary financing facilities of the World Bank Group, notably IDA, nor to those of other major multilateral development partners. However, there is an exception for small island countries: these countries are considered to lack creditworthiness and are thus eligible for IDA funding even if they exceed the per capita income threshold for eligibility.[27]

[27] See IDA, *New Options for IDA Lending Terms* (Washington, D.C., IDA, September 2001).

D. Technical cooperation

1. Bilateral assistance

34. Information provided by most bilateral development partners on their likely response to graduation made no specific reference to technical cooperation, although a few partners implied that graduation from the list of least developed countries would have no impact on their technical assistance to such countries.[28]

2. Multilateral assistance

35. The Integrated Framework (IF) for Trade-related Technical Assistance to least developed countries — jointly managed by the United Nations Development Programme (UNDP), the United Nations Conference on Trade and Development (UNCTAD), the World Bank, the International Monetary Fund (IMF), the World Trade Organization and the International Trade Centre UNCTAD/WTO (ITC) — was established specifically to assist least developed countries in their trade activities, including strengthening of human and institutional capacities. However, the Integrated Framework Working Group and the Integrated Framework Steering Committee have decided that the Integrated Framework will continue to apply in the case of Maldives, regardless of the outcome of the decision on possible graduation.

36. Several organizations of the United Nations system give particular attention to the development challenges of least developed countries through specifically targeted technical cooperation programmes or by earmarking a proportion of their budgets for least developed countries. For example, the revised target for resource allocation from the core UNDP budget for the period 2004-2007 stipulates that between 60 and 62 per cent of that budget should be allocated to least developed countries.[29]

37. Other forms of assistance for least developed countries include the financial support provided by the United Nations for the participation of representatives of least developed countries in annual sessions of the General Assembly.[30] In addition, contributions of least developed countries to the regular budget of the United Nations are capped at 0.01 per cent of the Organization's budget, regardless of their national income and other factors determining a Member State's assessment rate.

II. General principles for the preparation of a smooth transition strategy

38. Graduation reflects, inter alia, a country's success, with the support of bilateral and multilateral development partners, in its development and in its ability to achieve a transformation of its economy. Support by development partners for an adequate period is likely to be critical for the continued future development of

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[28] See *Official Records of the Economic and Social Council, 2002, Supplement No. 13* (E/2002/33), annex I.

[29] See UNDP, "Issues and principles for possible improvements in the present arrangements for programming financing" (document DP/2001/CRP.10), 23 April 2001.

[30] See, also, the report of the Secretary-General on the participation of the least developed countries at the annual substantive sessions of the Economic and Social Council (A/58/532), 24 October 2003.

graduated countries. A sudden withdrawal of support to a graduated country by its bilateral and multilateral development partners could possibly have adverse effects, interrupting or reversing some of the development progress achieved. At the same time, given that graduation is likely to present different countries with different challenges, **generic smooth transition strategies should be flexible and formulated in a general manner, so as to enable individual strategies to be attuned to different country circumstances.**

39. The identification of two periods of transition for countries graduating from the least developed country category can be traced back to General Assembly resolution 46/206 of 20 December 1991. At its twenty-seventh session, the (former) Committee for Development Planning had proposed that a country would be graduated from the list if it exceeded the criteria for three years.[31] Reacting to the Committee's report, the Assembly, in paragraph 5 of its resolution 46/206, stated that the graduation of a country would be completed following a transition period of three years starting immediately after the Assembly had taken note of the Committee's finding to graduate that country. The Assembly, in paragraph 4 of the same resolution, invited the international community to ensure a smooth transition but it did not specify whether this would occur before or after graduation.

40. In paragraph 7 of resolution 46/206, the General Assembly had decided that Botswana's graduation would be completed following a transition period of three years. Botswana graduated in 1994 when a second consecutive triennial review had confirmed its eligibility for graduation. The background suggests that Assembly resolution 46/206 was referring to a "pre-graduation" transition period of three years between two consecutive triennial reviews.

41. On the other hand, the Economic and Social Council in its resolution 2000/34 of 28 July 2000, in referring to the consequences of graduation, requested the Secretary-General, in the context of the recommendation to graduate Maldives, to make recommendations on additional measures that could be taken to ensure a smooth transition. This suggests that the Council was referring to a "post-graduation" transition.[32] Most of the attention of the Council (and hence of the Committee) in this area in the meantime has been focused on the loss of benefits that a least developed country might incur if it was to graduate; the focus, in other words, has been on the post-graduation transition.

42. This legislative background suggests two distinct "transition periods". The first is the three-year period between the triennial review of the list of least developed countries that initially finds a country eligible for graduation and the subsequent triennial review when its qualification for graduation is again reviewed by the Committee. This is now generally referred to as a "pre-graduation transition period". The "post-graduation transition period", on the other hand, begins when the General Assembly endorses a recommendation made by the Economic and Social Council to graduate a country from the least developed country category, on the basis of its having qualified for graduation in two consecutive triennial reviews. **The post-graduation period required to ensure a smooth transition of the graduated**

[31] See *Official Records of the Economic and Social Council, 1991, Supplement No. 11* (E/1991/32), table 4, note on "Graduation rule".

[32] For an elaboration of this point, see *Official Records of the Economic and Social Council, 2001, Supplement No. 13* (E/2001/33), paras. 114-117.

country should be decided on a case-by-case basis inasmuch as graduation is likely to present different countries with different challenges.

43. Although the pre-graduation transition period has up to now been regarded primarily as a period in which eligibility for graduation is validated, it is increasingly recognized that it should be utilized by the Government and its development partners to formulate and implement measures at both the national and international levels so as to prepare a least developed country for its possible graduation and for the possible loss of benefits that might occur if the Economic and Social Council and the General Assembly confirm, as a result of the second review, that it should graduate.

44. Henceforth, **the vulnerability profile of the country, which is required to facilitate the second review of eligibility for graduation, should include an in-depth analysis of the benefits received by the country as a least developed country, an assessment of the potential loss of benefits resulting from graduation, and possible measures to prepare the country for smooth transition if it is found to qualify for graduation after the second consecutive triennial review. The Committee for Development Policy at its sixth session recommended that profiles of this nature be prepared by UNCTAD, in cooperation with the Government of the least developed country concerned.**[33] **The Government of the least developed country may also wish to consult with its development partners to consider measures required to prepare the country for the possibility of graduation three years later**.

45. **Upon graduation, it is recommended that an ad hoc country advisory group should be established by the Government and supported, if requested, by the United Nations Resident Coordinator. This group would be a country-level nationally owned process. The country's bilateral and multilateral development and trading partners should also be encouraged to participate actively in the advisory group. This advisory group and its working arrangements should be based on existing national arrangements for formulating development policy and undertaking development cooperation within the country, such as Poverty Reduction Strategy Papers (PRSPs), donor "round tables" and the United Nations Development Assistance Framework (UNDAF).**

46. **This advisory group should devise a smooth post-graduation transition strategy in which the graduated country, in cooperation with its bilateral and multilateral development partners, would identify benefits in the areas of trade-related preferences, development finance and technical cooperation that should be considered to ensure that its development progress would not be interrupted or reversed.** Similarly, **the advisory group should determine the period required for a smooth transition for the country in question in each of these areas; it is possible, therefore, that different periods of smooth transition would apply for different types of existing least developed country benefits that are to be phased out. Where appropriate, the advisory group should also contribute to monitoring the process and, if necessary, suggest additional measures as the transition evolves.**

47. While the success of smooth transition strategies will depend on the cooperation between the least developed country and the international community,

[33] Ibid., *2004, Supplement No. 13* (E/2004/33), chaps. I and IV.

the graduated least developed country itself should play the central role in the formulation and implementation of its transition strategies. The success of individual transition strategies will depend on country ownership of the whole process, including both the formulation and the implementation of the country strategy.

48. At the same time, the effectiveness of country advisory groups will depend on the establishment of a framework of genuine partnership between the graduated country and its development partners, in order to determine a feasible mix of the support required by the graduated country and the support that partners are able to provide. With regard to the latter, **it is recommended that the Economic and Social Council urge all development partners that currently provide benefits specifically for least developed countries — notably organizations of the United Nations system, international financial institutions, donor countries, trading partners and member States of the World Trade Organization — to facilitate the transition by avoiding an abrupt reduction in the provision of assistance and support to graduated countries.**

III. Possible elements for a smooth transition strategy

49. A smooth transition strategy for graduated least developed countries would thus involve identifying existing benefits that are desirable for a graduated country so that its development prospects will not be adversely affected. Although graduation may involve a reduction of some benefits, **it is recommended that partners remain open to the retention, if deemed necessary, of some concessions for an appropriate period of time, which would be adapted to the needs of the graduated country. It is essential that the reduction of existing benefits over the transition period be gradual so as to ensure that the graduated country builds on the commendable progress that was reflected in its graduation.**

50. Many of the benefits and treatment accorded to least developed countries are associated with commitments and obligations they undertake as members, or when they become members, of the World Trade Organization. These commitments and obligations are decided by the World Trade Organization at the intergovernmental level. The Economic and Social Council has no legislative authority with regard to these commitments and obligations, but it can invite members of the World Trade Organization to consider any of the following recommendations should the Council find them to be appropriate.

A. Preferential market access

1. General schemes

51. The formulation of a smooth transition strategy with regard to preferential market access would require decisions by individual trading partners — frequently in the framework of the World Trade Organization — on the extension of least developed country-type preferential market access to graduated least developed countries. Upon graduation, least developed country preferences would continue to apply only if one of the following two scenarios was observed: preference-giving countries could receive a waiver from the General Council of the World Trade

Organization to be able to continue to grant least developed country preferences to the graduated countries or decide to extend least developed country-equivalent treatment to non-least developed country beneficiaries.

52. It would still be possible for trading partners — individually or collectively (as in the case of the EU) — to establish a transition period for graduated least developed countries that would enable them to retain more advantageous preferential treatment under GSP/GSTP schemes than under those granted to other developing countries for a given transition period. The EU, for example, has indicated that it would be open to a gradual, rather than instantaneous, phasing out of EBA preferences to graduated least developed countries.[34] At the same time, it should be noted that, as concluded in a World Trade Organization Trade Policy Review of Maldives, "graduation represents a necessary first step in the country's economic transition" and "continued overdependence on unilateral preferences may retard the economy's export diversification, and encourage inefficient industries, like tuna canning, whose products are only competitive in EU with large tariff preferences".[35]

53. **From a smooth transition perspective, the granting of waivers regarding the continuation of preferences should ideally be considered on the basis of a product-specific analysis of the need for continued market access for each country that graduates from the least developed country category.** This may, however, involve complicated and time-consuming procedures.

2. Textiles and clothing

54. **Restraint in making use of transitional safeguards, particularly by major development partners, could be just as important to textile exporters after graduation as it was before graduation.** However, the potential loss of benefits in this sector will no longer pose a problem to graduated least developed countries after the abolition of the Agreement on Textiles and Clothing in January 2005.

B. Special treatment regarding World Trade Organization-related obligations

55. The formulation of a smooth transition strategy with regard to the implementation of World Trade Organization agreements in the eight trade-related areas identified above — other than preferential market access — would require agreement within the World Trade Organization on exemptions or special consideration for graduated least developed country members.

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[34] See letter from EU, dated 21 June 2004, available from http://www.un.org/esa/analysis/devplan/index.html. This would involve granting a better preferential access to one developing country (the graduated least developed country), which would not be extended to other developing countries. The possibility of differentiating among developing countries in the context of preferential schemes was the subject matter of a recent decision by the Appellate Body in the case "European Communities: conditions for the granting of tariff preferences to developing countries", where some of the provisions of the World Trade Organization "Enabling Clause for developing countries" were interpreted (see World Trade Organization document WT/DS246/AB/R of 7 April 2004). The Appellate Body concluded in one of its findings that, provided certain conditions were met, developed countries might — in responding to the needs of developing countries — treat different developing-country beneficiaries differently.

[35] WT/TPR/S/110 of 13 December 2002, p. x, para. 32.

56. Many developing countries, even the more advanced ones, encounter difficulties in implementing World Trade Organization-related commitments and obligations. Despite the progress reflected in their graduation, former least developed countries will continue to be among those facing the greatest difficulties in this regard. **As a general measure, it is recommended that the Economic and Social Council urge World Trade Organization member States to consider granting at least some of the existing least developed country special treatment to graduated least developed countries for a transition period on a case-by-case basis. It is further recommended that the above-mentioned advisory group determine the period required for a smooth transition for the country in question in each of the trade-related areas below.** It must be understood, however, that any changes in existing World Trade Organization provisions would need a consensus among World Trade Organization members.

1. Accession to the World Trade Organization

57. The experience of the first two least developed countries that have completed the accession process since the creation of the World Trade Organization shows that it can be onerous for least developed countries that lack the human resources and technical capabilities required to negotiate their accession.[36] Graduated countries are likely to continue to face difficulties in this regard. Therefore, **as part of a smooth transition strategy, least developed country treatment regarding accession should be maintained for graduated countries. In addition, graduated least developed countries should not be obliged to make commitments beyond their level of economic development, human and institutional capacity, and trade and financial needs**.

2. Sanitary and phytosanitary measures

58. As mentioned above, the provisions of the Agreement on the Application of Sanitary and Phytosanitary Measures allowing for delays in the application of the Agreement by least developed countries have elapsed. In the light of the guidelines adopted by the General Council regarding the accession of least developed countries, **it is recommended that, like least developed country acceding members, graduated least developed countries that join the World Trade Organization be granted transition periods regarding the formulation and application of their own sanitary or phytosanitary measures. In addition, World Trade Organization members should take account, as they are required to do in the case of least developed countries, of the particular difficulties encountered in a transition period by graduated least developed countries in complying with the sanitary or phytosanitary measures of importing World Trade Organization members**.

3. Technical barriers to trade

59. The capacity of a graduated least developed country to meet the requirements that are associated with technical barriers to trade may remain weak in the short-to-medium term for reasons relating to limitations in human, institutional and

[36] See, for example, R. Adhikari and N. Dahal, *LDCs' Accession to the* WTO: *Learning from the Cases of Nepal*, Cambodia *and Vanuatu*" (Kathmandu, South Asia Watch on Trade, Economics and Environment (SAWTEE), 2003).

technological capacities. **It is thus recommended that graduated least developed countries be treated with the same special consideration given to least developed country members of the World Trade Organization with regard to both the provision of technical assistance by other World Trade Organization members and the granting for a transition period of exemptions from obligations under the Agreement on Technical Barriers to Trade by the WTO Committee on Technical Barriers to Trade.**

4. Subsidies and countervailing measures

60. The positive developmental impact of export subsidies can be critical to countries where such measures, if financially possible, constitute a response to serious structural disadvantages. **It is thus recommended that graduated least developed countries that lack export competitiveness be granted an exemption from the prohibition on export subsidies or granted a longer transition period to phase out such subsidies than that granted to other developing-country members of the World Trade Organization.**

5. Trade in services

61. **It is recommended that graduated least developed countries be treated with the same special consideration given to least developed country members of the World Trade Organization, with regard to both the acceptance of negotiated specific commitments and support for their telecommunications sector, for a transition period.** In addition, in the field of international tourism, which is important for several potential least developed country graduates, there is a need to underline, in General Agreement on Trade in Services-related negotiations, the importance of developing local human resources in graduated least developed countries as a key local linkage that can guarantee a significant income-multiplying effect.

6. Trade-related aspects of intellectual property rights (TRIPS)

62. Given their institutional limitations, **it is recommended that least developed country-equivalent treatment be extended to graduated countries, particularly those with very small economies, to enable them to benefit from an additional transition period for the implementation of the Agreement on Trade-related Aspects of Intellectual Property Rights.**

7. Settlement of disputes

63. A graduated country is unlikely to become a threat to international trade or to have the institutional and financial capacity to deal with a trade-related dispute soon after graduation. The need for continued "due restraint" is therefore not likely to diminish after graduation. For this reason, **it is recommended that this special treatment of least developed countries be maintained for a transition period.**

8. Trade policy review mechanism

64. **It is recommended that the special treatment regarding periodic trade policy reviews, as well as the provision of technical assistance by the World Trade Organization Secretariat in undertaking the review, be maintained after graduation.**

C. Development financing

1. Bilateral assistance

65. Bearing in mind that least developed country status is only one of the many factors that determine the levels of development assistance by bilateral donors, available information suggests that graduation would have a limited direct effect on the provision of such assistance. At the same time, it is generally accepted that the developmental costs to a graduated country of a sudden disruption in flows of ODA could be high, whereas the costs to bilateral and multilateral development partners of at least maintaining such flows are likely to be negligible. **It is thus recommended that the Economic and Social Council urge all development partners to avoid any abrupt reductions in ODA provided to graduated countries for a transition period to be determined by the country advisory group.**

2. Multilateral assistance

66. Since graduation from the least developed country category will not affect a country's eligibility for financing from IDA and other major multilateral funding institutions, no specific transition measures are currently required with regard to the continued provision of multilateral development financing for graduated least developed countries. This is particularly the case for small island States which are, as an exception, eligible for IDA funding even if they exceed the per capita income threshold for eligibility. **It is recommended that this exception be maintained.**

D. Technical cooperation

1. Bilateral assistance

67. While available information suggests that graduation from the least developed countries category would have little or no impact on the provision of bilateral technical assistance, **it is recommended that no abrupt reduction of existing assistance take place for a transition period.**

2. Multilateral assistance

68. **It is recommended that the implementation of technical assistance programmes under the Integrated Framework for Trade-related Technical Assistance be continued for any country that graduates from the least developed country category.**

IV. Concluding remarks

69. The success of a smooth transition strategy will depend on the cooperation between graduated least developed countries and the international community. However, as with all development strategies, **the graduated least developed countries themselves should play the central role in the formulation and implementation of their smooth transition strategy and should ensure that the strategy is attuned to national conditions and circumstances.**

70. **The Economic and Social Council is invited to recommend the convening of an ad hoc country advisory group in which the graduated country, in cooperation with its bilateral and multilateral development partners, would identify measures to ensure its smooth transition from the least developed country category so that its development progress would be maintained.**

71. At the same time, the continued support of development partners is critical to ensuring success in the implementation of smooth transition strategies for graduated least developed countries. **The continuation of ODA to a graduated country could play a critical role in its smooth transition, while the provision of adequate technical assistance — by both bilateral and multilateral development partners — to graduated countries is important so as to ensure a smooth transition.**

72. **Furthermore, given that the World Trade Organization provisions granting special and differential treatment to least developed countries constitute a multilateral instrument outside the purview of both the Economic and Social Council and the General Assembly, World Trade Organization member States should take the initiative to ensure that graduated countries continue to benefit from least developed country trade preferences for a transition period after graduation. The Council may thus wish to call upon World Trade Organization member States to support and facilitate the formulation and implementation of measures required to ensure the smooth transition of graduated countries in trade-related areas.**

73. While a smooth transition strategy is essential to maintaining the development progress of the graduated country, graduation should signal to private and public partners that a durable improvement has occurred, thereby opening new and promising economic opportunities. Graduation should also signal a reduced level of risk for foreign direct investment and increase credit ratings for access to private development finance. **The international community is encouraged to strengthen efforts to foster private sector development in, and to increase credit guarantees for, graduated countries.** As noted above, graduation is also a necessary first step in a country's economic transition to a more advanced stage of development. Graduated countries should be congratulated on their past success and supported in the further improvement in their socio-economic conditions in the years ahead.

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Non-governmental organizations

Social and human rights questions

Letter dated 14 July 2004 from the Permanent Representative of Viet Nam to the United Nations addressed to the President of the Economic and Social Council

As you are aware, during the past three years, Viet Nam has been protesting the participation by Kok Ksor and the organization he created and presides over — the Montagnard Foundation, Inc. (MFI) — in United Nations meetings and conferences, for the fact that they are pursuing the subversive and separatist objective of creating an "independent State of Degar" in the central highlands of Viet Nam and, in the pursuit of this objective, they are engaging in terrorist activities. While the question was still under consideration by the Committee on Non-Governmental Organizations, Viet Nam had exercised utmost restraint in order not to complicate the process leading to a suitable solution to the matter. At the request of Viet Nam, the Committee on Non-Governmental Organizations has decided to suspend for three years the consultative status of the Transnational Radical Party (TRP) for the reason that it had accredited Kok Ksor and MFI, thus giving them unjustifiable permission and protection to attend United Nations meetings and conferences in its name. While believing and hoping that the Economic and Social Council will adopt this appropriate decision by the Committee on Non-Governmental Organizations, whatever may be the outcome of the Council's deliberation, Viet Nam will continue to consider the participation by Kok Ksor and MFI in any United Nations meeting or conference as running counter to the spirit and purposes of the United Nations and the Economic and Social Council, a violation of the Charter of the United Nations. Viet Nam will continue to protest and work towards their expulsion. As the Economic and Social Council is going to deliberate on agenda item 14, with sub-items relating to reports submitted by its subsidiary bodies, such as the Commission on Human Rights and the Permanent Forum on Indigenous Issues, in which Kok Ksor and MFI have been wrongly permitted to participate, I wish to reaffirm to you the above-mentioned view of the Vietnamese Government and hereby request that this letter be circulated as a document of the 2004 substantive session of the Economic and Social Council under

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agenda item 12, "Non-governmental organizations", and agenda item 14, "Social and human rights questions".

(*Signed*) **Le Luong Minh**
Ambassador Extraordinary and Plenipotentiary
Permanent Representative